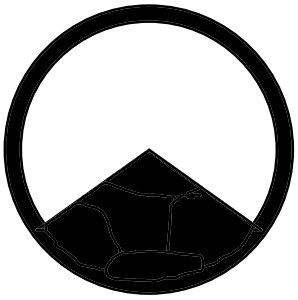


Global Stone Corporation

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED SEPTEMBER 30, 1996

January 31, 1997

TABLE OF CONTENTS

ITEM 1 - THE COMPANY

(All financial data is stated in Canadian Dollars unless specifically prefixed to denote United States Dollars)

Global Stone Corporation (the **"Company"**) was incorporated as "B 35 Freecorp Holdings Ltd." on January 24, 1992, by registration of its Memorandum and Articles under the Company Act (British Columbia), and changed its name to "Global Stone Corporation" on February 20, 1992. The Company went public on May 6, 1993, with an initial public offering and listing of its shares on the Toronto Stock Exchange under the symbol GLS. The head office of the Company is located at Suite 306, 251 North Service Road West, Oakville, Ontario, L6M 3E7. It maintains offices at the site of each of its principal operating units, a regional office near Atlanta, Georgia and a United Kingdom office near Bristol. The Company's registered and records offices are located at Suite 1810, 1111 West Georgia Street, Vancouver, British Columbia, V6E 4M3.

The initial authorized capital of 10,000 common shares without par value was increased on January 24, 1992 to 200,000,000 shares, divided into 90,000,000 Class A multiple voting shares without par value, 60,000,000 subordinate voting shares without par value, and 50,000,000 preferred shares with a par value of $1.00 each. On July 31, 1992, the Class A multiple voting shares were cancelled and the capital structure of the Company reorganized to consist of 110,000,000 shares, divided into 60,000,000 Common Shares without par value (the "**Common Shares**") and 50,000,000 Preferred Shares with a par value of $1.00 each (the "**Preferred Shares**"). 29,679,025 Common Shares were issued and outstanding at December 31, 1996. No Preferred Shares have been issued to date.

The following is a list of the Company's principal operating subsidiaries as of the date hereof and, for each subsidiary, its jurisdiction of incorporation and the percentage ownership, direct or indirect, and voting interest of the Company.

Name of Subsidiary		Jurisdiction of Incorporation	Percentage Ownership
Global Stone (Ingersoll) Ltd.	**"Global Stone Ingersoll"**	Ontario	100%
Global Stone Tenn Luttrell Company	**"Global Stone Tenn Luttrell"** (3)	Delaware	100% (1)
Global Stone Chemstone Corporation	**"Global Stone Chemstone"** (4)	Delaware	100% (1)
Global Stone Detroit Lime Company	**"Global Stone Detroit Lime"** (5)	Delaware	100% (1)
Global Stone PenRoc Inc.	**"Global Stone PenRoc"**	Delaware	100% (1)
Global Stone St. Clair Inc.	**"Global Stone St. Clair"**	Delaware	100% (1)
Global Stone (U.S.A.) Inc.	**"Global Stone USA"**	Delaware	100% (2)
Global Stone (UK) Limited	**"Global Stone UK"**	United Kingdom	60%

Notes:

1. Ownership indirect through Global Stone (U.S.A.) Inc.
2. Ownership 90% direct, 10% indirect through Global Stone (Ingersoll) Ltd.
3. The name of the company was changed from Tenn Luttrell Company to Global Stone Tenn Luttrell Company and the company re-registered as a Delaware corporation in October 1996.
4. The name of the company was changed from Chemstone Corporation to Global Stone Chemstone Corporation in October 1996.
5. The name of the company was changed from Detroit Lime Company to Global Stone Detroit Lime Company in October 1996.

ITEM 2 - GENERAL DEVELOPMENT OF BUSINESS

From operations located in Ontario, Tennessee, Virginia (three operations), Pennsylvania and Oklahoma, the Company extracts and processes high-purity limestone and sells it in the form of lime, chemical limestone, fillers and construction aggregates, each with different uses and markets. In Michigan, the Company operates a lime manufacturing plant utilizing limestone purchased from external suppliers. High-purity limestone may be sold as chemical limestone for use in the manufacture of products as diverse as poultry feed mixtures, fiberglass, and roofing shingles, or it can be further processed into added-value products such as lime or limestone fillers. Lime is sold as quicklime or hydrated lime for use in various manufacturing processes and industries, including iron and steel, pulp and paper, chemicals, environmental and construction. Fillers, which are finely ground limestone powders, are used in a wide range of manufacturing processes including vinyl flooring, carpet backing, adhesives, sealant and jointing compounds for wallboard. Construction aggregates are crushed and graded rock for use in the manufacture of concrete, asphalt, and for general construction purposes. (*The words 'aggregates' and 'construction aggregates' are used inter-changeably to refer to minerals for use in all forms of construction.*) The industry in which the Company operates encompasses all these categories of products, although the market for each is quite distinct. The products and markets are described in more detail in Item 3 - Narrative Description of Business.

Acquisitions and sources of finance

Eight North American operations have been acquired by the Company to date:-

1. On October 20, 1992, Global Stone Ingersoll acquired the assets of the limestone quarry and lime works located at Ingersoll, Ontario, as a going concern from Stelco Inc. (**"Stelco"**) at a cost of $21.6 million. The gross cost including inventories, acquisition costs and adjustments to liabilities was $24.247 million.

2. On October 21, 1993, the Company acquired all of the outstanding shares of Tenn Luttrell Company from Penn Virginia Corporation of Philadelphia, for US$24.2 million. The gross cost was $33.177 million based on the currency exchange rate then in effect and including acquisition costs and adjustments for the closing working capital balance of approximately US$5.7 million. Tenn Luttrell Company operated a limestone mine, quarry and lime works situated at Luttrell, Tennessee.

3. On July 21, 1994, the Company acquired all of the outstanding shares of the privately owned Chemstone Corporation for US$18.5 million. The gross cost was $28.277 million based on the currency exchange rate then in effect and including acquisition costs and working capital of approximately $4.1 million. Chemstone Corporation operated a limestone quarry and lime works situated at Strasburg, Virginia.

4. On January 1, 1995, the Company paid a US$5.0 million security deposit and entered into a five-year operating lease of substantially all of the lime production assets of Edw. C. Levy Company (**"Levy"**), comprising a lime manufacturing plant in Detroit, Michigan. The Company has an option to extend the lease for an additional five years upon a further payment of US$1.0 million. All inventories were purchased at the commencement of the lease for a cost of US$3.96 million. The Company has treated this as a capital lease in its balance sheet at a gross asset cost of $20.286 million based on the currency exchange rate then in effect, including acquisition costs and working capital of $5.662 million. The Company also has an option to acquire the principal assets after December 31, 1999, or at any time during the extended period of the lease, for US$9.0 million against which the US$5.0 million security deposit will be credited Upon purchasing the assets, the Company is required to pay Levy an additional amount related to profitability but limited to a maximum payment of US$1.0 million. If the Company does not exercise its option to purchase the assets, the security deposit may be applied by Levy at the end of the lease against repairs and refurbishment of the assets, or diminution in their value as a going concern.

5. On June 29, 1995, the Company paid US$7.4 million to acquire the assets of Delta Carbonate Inc. and PenRoc Inc., comprising three limestone quarries and associated processing plants situated in York, Pennsylvania. The gross cost was $10.957 million, at the currency exchange rate then in effect, including acquisition costs and inventories totalling $1.673 million. The acquisition was completed under the jurisdiction of the New Jersey District of the United States Bankruptcy Court following the filing on January 13, 1994, by both Delta Carbonate Inc. and PenRoc Inc., of a voluntary petition for reorganization under the provisions of Chapter 11 of the United States Bankruptcy Code.

6. On December 21, 1995, the Company acquired the assets of the privately owned St. Clair Lime Company for US$10.0 million paid on closing with a further five payments of US$1.2 million on the first five anniversaries of the closing. The gross cost was $23.292 million at the currency exchange rate then in effect, including acquisition costs and inventories of $0.945 million. The deferred acquisition payments are secured by irrevocable letters of credit which are included as long term debt in the Company's balance sheet. St. Clair Lime Company operated a limestone mine and lime works situated at Marble City, Oklahoma.

7. On June 28, 1996, Global Stone Chemstone acquired the principal assets of James River Limestone Company Inc. (**"JRL"**), now trading as Global Stone James River (**"Global Stone James River")**, for US$5.35 million plus inventories valued at US$1.41 million. The gross cost was $9.706 million based on the currency exchange rate then in effect and including acquisition costs and working capital of approximately $2.056 million. The assets acquired comprised two high purity limestone quarries plus associated processing plants at Buchanan and Rocky Point, Virginia, manufacturing a range of limestone fillers, pelletized limestone and construction aggregates.

8. On August 29, 1996, Global Stone Chemstone acquired the principal assets of Redland Genstar Inc. at Middletown, Virginia, (**"Middletown"**) for US$8.805 million, and entered into a 100 year lease in respect of the mineral reserves. The gross cost was $12.11 million at the exchange rate then in effect including acquisition costs and inventories. Middletown is a limestone quarry and processing plant situated adjacent to Global Stone Chemstone.

Additionally, in November 1994, the Company acquired its only assets outside of North America, when it purchased the 60% interest in Federated Aggregates (UK) Ltd., held by Federated Aggregates Plc. ("**Federated**"), of Bristol, England, for $1.1 million. The purchase price was satisfied by the issuance of 206,321 Common Shares of the Company and Federated Aggregates (UK) Ltd. was renamed Global Stone (UK) Ltd. This company owned an operating lease of a small limestone quarry near Tetbury, Gloucestershire, which it sold in February 1996, and a 40% interest in Somerley Aggregates Ltd., which has an operating lease on a 4.5 million tonne sand and gravel deposit at Somerley, Hampshire. The operations of Global Stone UK are not material to the business of the Company.

The growth of the Company has been funded as follows :-

- On May 6, 1993, the Company received net proceeds of approximately $24.841 million from its initial public offering of 9,200,000 Common Shares and 4,600,000 Warrants to acquire additional Common Shares of the Company at $3.00. The Warrants expired on May 31,1995, by which date 4,597,250, representing 99.94%, had been exercised and the Company had received an additional $13.792 million.

- On October 21, 1993, the Company sold 6,320,000 Special Warrants to acquire Common Shares by way of private placement, for $4.75 each. Net proceeds, after deducting fees paid to the underwriters, were $28.819 million. Subsequently, in January 1994, the Special Warrants were exchanged into Common Shares without additional consideration.

- On February 15, 1995, the Company completed a $55 million debt facility with a group of life assurance companies by way of a private placement of Series A 10.625% Senior Secured Debentures due 2002 (the **"Debentures"**). At closing, $30 million of the facility was drawn down, of which $24.3 million was applied to reduce the Company's bank debt and $5.7 million set aside to meet continuing capital expenditure requirements. The second and final $25 million draw down under this facility was made on December 21, 1995, when $13.7 million was used to complete the St. Clair Lime Company acquisition and $8.5 million to repay all the Company's outstanding bank loans. The second draw down was secured by a further issue of the Debentures, with a par value of $23.35 million, yielding an effective interest rate of 8.7%, a reflection of lower market interest rates at the time of issue. The Debentures are redeemable at any time at a premium.

- On June 6, 1996, the Company completed the sale of 4,700,000 Common Shares at $5.35 each, of which 2,500,000 were bought by a group of underwriters and 2,200,000 were bought by Cominco Ltd. (**"Cominco"**). The Company received $24.36 million net of fees paid to the underwriters.

- On October 18, 1996, the Company issued 545,454 Common Shares to Cominco who converted a $3.0 million convertible debenture at $5.50 per share.

- Bank facilities granted by a Canadian chartered bank, which have been re-negotiated from time to time. At September 30, 1996, the facilities available totalled Cdn$12.5 million of operating and revolving facilities plus a revolving term facility of US$5.9 million. (See "Item 5 - Management's Discussion and Analysis").

History of the Company's development and relationship with Cominco

The Company was organized in 1992 on the initiative of its three current senior executive officers, together with its former chairman acting in association with Cominco and a private company controlled by a former director. The Company has benefited from its close relationship with Cominco, which has two representatives, Robert R. Stone and Owen E. Owens, on the Board of Directors (the **"Board"**) (see Item 7 - Directors and Officers).

Cominco provided the Company with financial assistance to enable it to buy its first property by advancing a $23 million secured demand loan (the "**Cominco Loan**") to Global Stone Ingersoll to finance the purchase of the limestone quarry and lime works at Ingersoll, Ontario, from Stelco. Following the closing of its initial public offering, the Company repaid $20 million of the Cominco Loan and Cominco released all of its security for the loan. The Cominco Loan was replaced with a $3 million, 5-year convertible debenture dated as of October 21, 1993 bearing interest at 6.875% per annum. The debenture was convertible, at the option of Cominco, into Common Shares at a price per share of $5.50 during the first three years, and $7.10 thereafter. On October 18, 1996, Cominco exercised its right to convert the debenture into 545,454 Common Shares. Cominco currently own 4,619,094 Common Shares representing 15.6% of the shares outstanding.

The Company and Cominco are also parties to an agreement pursuant to which Cominco agreed to subscribe for shares of the Company and, in exchange, was granted the right to participate with the Company as a joint venture partner, up to 50%, in respect of every construction aggregates or industrial minerals property that the Company acquires, directly or indirectly. Cominco has not elected to acquire a joint venture interest in any of the acquisitions made by the Company to date.

Growth strategy

The Company's strategic objective is to continue to grow its significant North American industrial minerals and construction aggregates business by acquiring companies wherein the profitability and true value can be maximized through the application of management skills and prudent capital investment, with a view to achieving cost savings, broadening the product range, and expanding facilities to take advantage of expected sustained market growth. As the Company grows, additional benefits will accrue through administrative, commercial and distribution synergy. An example of this is the provision of accounting services to Global Stone Detroit Lime from the existing administration office at Global Stone Ingersoll.

The Company has remained tightly focused in the limestone sector and has already achieved a significant market position in the supply of high calcium lime and chemical limestone in the eastern half of the North American market. The Company's management believes that it should continue to consolidate this position. Various possibilities for further acquisitions exist within this market area, typically in the valuation range of US$10 to US$40 million, although there are exceptions at both ends of this range. Many acquisition possibilities are small, privately owned operations, though some are subsidiaries of large diversified private or public corporations engaged in the disposal of non-core operations.

The Company's financial investment criteria require a pay-back within 5-6 years, which would typically produce an internal rate of return of approximately 18% to 20% and a return on capital at the operating level of approximately 25% by the fifth year of ownership. The primary operating criteria are: (a) a high quality mineral reserve capable of meeting product specifications with a reserve life for limestone operations typically not less than 15 years, though this might be somewhat shorter for sand and gravel resources, (b) a strong market position and (c) local management of high quality. Secondary operational investment considerations are: the impact of local or regional economic conditions, climatic influences and the quality of the customer base, each of which influences the stability of business cycles.

Shareholder protection rights plan

A Shareholder Protection Rights Plan (the **"Rights Plan"**) was adopted by the Board on December 12, 1996. The purpose of the Rights Plan is: to ensure that all shareholders are treated equally in connection with a take-over bid, to prevent the use of unfair or coercive tactics by a person making a take-over bid, and to extend the time available to the Board for consideration of a bid and solicit alternate bids with a view to increasing shareholder value. The Rights Plan also provides all shareholders with an equal opportunity to share in any premium paid upon the acquisition of control. The Board does not consider that the Rights Plan and the requirements for a permitted bid thereunder will constitute an unreasonable obstacle to a serious bidder willing to make a *bona fide* non-coercive offer for all outstanding shares of the Company.

On December 12, 1996, the Company also entered into a Shareholder Protection Rights Plan Agreement with its transfer agents, Montreal Trust Company of Canada, whereby share purchase rights (the **"Rights"**) were issued on that date to holders of Common Shares at the rate of one Right for each Common Share outstanding at the close of business on December 12, 1996. The main terms and conditions of the Rights Plan include:

- a threshold ownership of 20% of the Company's outstanding shares to trigger the plan;
- a permitted bid (subject to certain permitted exceptions) must be:-
  - (a) made by means of a take-over bid circular and to all shareholders;
  - (b) made for 100% of the outstanding shares;
  - (c) open for acceptance for a minimum period of 45 days; and
  - (d) may proceed only if at least 50% of shares held by shareholders independent of the bidder are deposited, provided that the intention to proceed on such terms is announced and the bid period extended and remain open an additional 10 days to permit all shareholders to tender to the bid should they so choose;
- Rights are redeemable prior to the occurrence of a non-permitted bid;
- once approved by shareholders, the Rights Plan may only be amended in any material way with their consent;
- the application of the Rights Plan may be waived by the board in limited circumstances, should a breach of the threshold be rectified, or to waive the application of the Rights Plan to any non-permitted bid made by take-over bid circular;
- the plan is effective for three years, expiring December 11, 2000.

The plan must be approved by shareholders within six months of its adoption and the Board is seeking approval at the Company's Annual General Meeting of shareholders to be held on February 26, 1997. The Toronto Stock Exchange has accepted notice from the Company of the proposed issuance of the Rights and the Common Shares issuable on exercise of the Rights, subject to shareholder confirmation.

In the event that there is an offer or take-over bid for the Company which does not meet the permitted bid requirements outlined above, the Rights Plan will be activated and the Board will, on or before the 8th day the bid is outstanding, authorize the Company's transfer agent to issue Rights to all holders of the Common Shares. Separate certificates evidencing the Rights (the **"Rights Certificates"**) will be mailed to such holders of the Common Shares. (Note: the transfer agent is not obliged to issue Rights Certificates to shareholders registered as Non-Canadian where it may be unlawful to do so without the registration of the securities in another jurisdiction.) Until the issuance of the separate Rights Certificates, the Rights will be transferred with, and only with, the Common Shares and will be represented by the outstanding Common Share certificates.

Once the Rights have been issued separately from the Common Shares, and the bidder exceeds the 20% ownership threshold of the Company's outstanding shares, the holders of such Rights may purchase from the Company that number of Common Shares having an aggregate market value equal to twice the exercise price. The initial exercise price of a Right is $100.00. (For example, if the Common Shares had a market value of $10.00, each Right would entitle the holder to purchase 20 Common Shares for the exercise price of $100.00; that is, at a 50% discount to the market price). The effect is to cause a substantial dilution to a person or group attempting to acquire control of the Company. The Rights Plan will not interfere with the normal workings of the Company prior to the activation of the Rights and does not affect the fiduciary duty of the Board of Directors to act honestly and in good faith with view to the best interests of the Company. The Rights Plan does not affect the balance sheet or income statement and should not result in a taxable event for the Company or its shareholders.

ITEM 3 - NARRATIVE DESCRIPTION OF BUSINESS

The Lime Industry

Production and chemistry

High purity limestone occurs in two principal chemical forms, calcium or dolomitic, and lime is produced by heating either type in a kiln. High calcium (or calcitic) lime is manufactured from limestone having a minimum content of 95% calcium carbonate and the Company's lime operations described in this document produce only high calcium lime (the calcium carbonate content of the Company's mineral reserves is typically 97-99%). Although calcium carbonate 'dissociates' at a temperature of 900°C, forming calcium oxide (quicklime) and releasing carbon dioxide as a gas, the typical operating temperature of a lime kiln in its firing zone is 1315°C (2400°F). The second form of limestone used to manufacture lime is dolomitic limestone, a double carbonate in which calcium and magnesium carbonates are combined. This produces a lime with a high magnesium content which has certain specific applications, primarily in the manufacture of refractories and also in combination with high calcium lime as an iron and steel fluxing agent.

The term "lime" is generic within the industry and used to refer to both chemical types in either quicklime or hydrated lime forms. The bulk of lime production is in fact quicklime which is a pebble, granular or coarse powder as manufactured. Hydrated lime is manufactured by adding a precise amount of water to quicklime in a very vigorous chemical reaction which releases considerable heat as steam. Hydrated lime takes the form of a fine white powder which is more stable, and less reactive, than quicklime while retaining the neutralizing properties. The chemical reactions in which these two forms of lime are produced from high calcium limestone are :-

$CaCO_3$	+	Heat	=	CaO	+	$CO_2\uparrow$
(Calcium carbonate)				*(Calcitic quicklime)*		*(Carbon dioxide)*

CaO	+	H_2O	=	$Ca(OH)_2$
(Quicklime)		*(Water)*		*(Hydrated lime)*

In North America, lime is mainly manufactured in rotary kilns, whereas in Europe, vertical shaft kilns are equally significant. The technical and economic variables that determine the choice of kiln are typically, but not exclusively: energy consumption, fuel type, product chemistry, limestone characteristics, production output, and site specific operating requirements.

Uses and markets

Lime is an added-value product, derived from limestone, which is widely used in a variety of manufacturing processes and industries, including iron and steel, pulp and paper, chemical, environmental, agricultural and construction. It is sold in two chemical forms, quicklime and hydrated lime and is delivered either in bags or in bulk, by road or rail.

Growing public concern over environmental issues, reflected in recent legislative changes in the United States, has resulted in an increase in the demand for lime for environmental clean-up applications, including flue gas desulphurization (**"FGD"**), municipal waste sludge treatment, drinking water treatment, and hazardous waste remediation. The United States Clean Air Act has been amended to require the reduction of all emissions, but especially sulphur emissions, from large fossil fuel burning boilers which are primary sources of 'acid rain'. Lime and, to a lesser extent, limestone, are the two principal agents used in the FGD process for the absorption of sulphurous gases. The FGD market is generating considerable demand for these products, where for example, a coal-fired power station can have an annual requirement for lime in the range of 50,000 to 450,000 tons. Phase II of the Clean Air Act, which comes into effect in 1999, will require the control of sulphur emissions from much smaller boilers than those found in power stations and this is expected to maintain the growth momentum for lime and limestone products.

During the last three years additional legislation has been enacted in the United States to control the treatment and disposal of municipal waste sludge. While several processes are available to meet statutory requirements, many municipalities are opting for a system which involves mixing a percentage of lime with the sludge. Lime is a highly effective killer of pathogens in the sludge which, after treatment, can be returned to the land as a beneficial fertilizer and source of nutrients. Lime is also used for the softening and purification of drinking water through the control of acidity and the removal of heavy metal ions. It is also increasingly being used for the remediation of hazardous wastes and particularly industrial effluents from pulp and paper mills or acid drainage from mining operations. Lime is the most cost effective solution for large scale neutralization of acid effluents.

The following table summarizes many of the various uses of lime by industry and type of customer.

INDUSTRY	CUSTOMER	USES
Metallurgical Industries	Steel producers Aluminum, base and precious metals production	Iron, steel and steel products manufacture Aluminum refining, ore flotation, precious metals recovery and mine tailings disposal
Paper and Forest Products	Pulp and paper producers	Sulphate process in kraft paper plants, bleaching, strawboard manufacture Production of precipitated calcium carbonates ('PCCs') for use as white fillers in quality papers
Petrochemical	Chemical, petroleum refiners and dyestuff manufacturers	Alkalis and bleaches, petrochemicals, dyes Intermediates and coke by-products
Environmental	Utilities Municipalities Industrial plants	Flue gas desulphurization Water treatment, sewage treatment Treatment of industrial wastes, land remediation
Construction	Contracting Building material producers	Soil stabilization in new highway construction Manufacturing: asphalt, glass, silica brick, expanded concrete, insulation materials
Paints / Coatings	Producers	Pigments, water paints, varnish
Food and Others	Producers	Dairy and sugar processing, baking, animal glue and gelatine manufacture, processing of leather and rubber

According to statistics published by the U.S. Geological Survey (**"USGS"** - formerly the U.S. Bureau of Mines) and the Canadian Ministry of Energy, Mines and Resources (**"CMEMR"**), the overall demand for lime in North America increased by 36.6% between 1986 and 1995, from 16.998 million tons to 23.223 million tons - an annualized growth rate of 3.5% per year. While some of this increase has been due to a general increase in economic activity, the real engine for growth has been environmental legislation. The wide range of end uses and markets for lime offers some protection from the economic cycles experienced by individual sectors such as the steel industry. Further, as a high proportion of lime is sold in to end uses which have year-round requirements largely unaffected by the weather, the demand for lime has relatively low seasonality. However, demand is weaker during the winter periods as inclement weather conditions can affect the road and rail distribution of products and the use of lime for construction.

Competition and industry structure

Since lime and limestone products are bulky, transportation costs represent a significant competitive factor in a given market area and can account for up to 50% of the delivered cost to the customer. As a result most lime products are sold within local markets generally not exceeding 200 miles from the production plant. The Company is subject to competition in each of these local markets although this is somewhat less at Global Stone Ingersoll due to the influence of the long term supply contracts with Stelco. The competition varies from plant to plant and the map on Page 11 details the location of the Company's operations and those of commercial competitors. While there are subtle differences in the chemistry and quality of various producer's lime, due to the composition of the raw limestone and the production plant capabilities, there is little or no significant product differentiation between suppliers.

Lime is for the most part purchased under annual contracts. For many customers, the cost of lime is quite small in comparison to their overall production costs. Accordingly, quality and service are paramount, and price sensitivity may be relatively low. A customer who has confidence in a particular supplier will tend to maintain the relationship. Major contracts are usually treated on a commodity basis and reflect supply and demand considerations.

As indicated in the following table there were approximately 134 lime producing plants in North America at the end of 1996. The numbers of plants are based on 1994 data published by USGS and CMEMR and updated by management. The capacities attributed to individual producers are estimates by the management of the Company. Of the total of 134 lime plants approximately 90 are 'commercial' plants serving the general markets. The remaining 44 are usually small 'captive' plants, such as at sugar refineries, where lime is produced only for internal consumption.

North American lime producers

Lime Producer	USA		Canada		USA and Canada	
	No. of Plants	Capacity (m tons)	No. of Plants	Capacity (m tons)	No. of Plants	Capacity (m tons)
Carmeuse	6	2.4	3	0.7	9	3.1
Dravo	3	3.2	0	0.0	3	3.2
Chemical Lime	12	3.1	1	0.1	13	3.2
Mississippi Lime	1	2.2	0	0.0	1	2.2
Continental Lime	4	1.4	5	0.8	9	2.2
Global Stone	**4**	**1.4**	**1**	**0.2**	**5**	**1.6**
APG Lime	3	1.0	0	0.0	3	1.0
Redland	3	0.4	1	0.4	4	0.8
US Lime & Minerals	3	0.6	0	0	3	0.6
Others	76	6.6	8	0.8	84	7.4
Totals	**115**	**22.3**	**19**	**3.0**	**134**	**25.3**

The four largest lime producers in North America control approximately 46% of total industry capacity while the top six companies (including Global Stone) control 60%. In addition, a large number of producers, while small on a national scale, have strengths in their local markets.

There are still opportunities for entry and expansion through acquisition although the number of opportunities is declining because of increasing consolidation. In Canada, Stelco sold its lime interests to the Company and Carmeuse bought BeachviLime from Dofasco and the Ontario plant of Koch Minerals. BP Resources sold Texada Lime to Chemstar Lime (part of the Chemical Lime group). In the United States, Mississippi Lime purchased Virginia Lime Corporation from Scottish Heritable Inc. and subsequently resold it to APG Lime. Chemical Lime acquired Allied Lime with two plants in Alabama, and Carmeuse acquired Marblehead Lime Company from General Dynamics and most recently has purchased the two lime plants in Pennsylvania owned by Tarmac Plc. (formerly Wimpey Minerals). Bellefonte Lime in Pennsylvania bought Centre Lime also located in Pennsylvania. The Company has acquired four lime operations in the United States.

Commensurate with the growth in lime demand, several investments in new capacity have been made by the industry. Chemical Lime has built a new plant near Ste. Genevieve, Missouri, as a consequence of signing a long term contract to supply some 400,000 tons of lime annually to a FGD project, and has installed new capacity in Alabama and Nevada. Dravo Lime completed an extension to its Black River, Kentucky, plant following the signing of a long term contract to supply 450,000 tons per year to a FGD project and is installing an additional kiln at its Maysville, Kentucky, plant. Germany Valley Lime (previously known as Greer Steel) has completed the installation of a second kiln at its plant at Riverton, West Virginia, and W.S.Frey has installed an additional kiln at its operation in Virginia. Continental Lime has installed additional kilns at operations in Nevada and Quebec. The Company has installed a second kiln at Global Stone Tenn Luttrell.

The lime industry is characterized by high barriers to entry including: the scarcity of high purity limestone deposits on which the required zoning and permits for extraction can be obtained, the need for lime plants to be located close to markets and rail/road networks to enable cost effective production and distribution, and recent clean air and anti-pollution legislation which has made it more difficult to obtain permitting for new sources of emissions such as lime kilns. These considerations reinforce the premium value of acquired operations having permitted, long-term, high purity mineral reserves and good locations relative to markets. The demand for lime products is expected to continue to grow which could benefit prices. High transportation costs provide a protective buffer within local market areas. The broad spectrum of end-uses for lime products provides resilience to volatility in demand from individual sectors, although some impact from economic cycles will be inevitable.

The increasing difficulty of zoning and permitting new deposits makes investment in a 'greenfield' limestone operation and lime works, an expensive, long term and speculative venture. As a result the Company believes that it is more desirable to expand its production capability by acquiring well-located operations having good mineral reserves and established markets. It does not, however, rule out greenfield developments should a viable opportunity emerge.

Chemical Limestone

Chemical limestone, by definition, contains at least 95% calcium carbonate and is sold for its chemical attributes. It is used, for example, as the basic raw material in the manufacture of Portland cements, as a calcium supplement in poultry and animal feeds, fiberglass, as an inert filler for roofing shingles, carpet backing, vinyl flooring, wallboard compounds, and as 'aglime' for controlling soil acidity in agricultural applications. Chemical limestone is a bulk product with a higher added-value than construction aggregates. Consequently, a wider geographic market area is served than is the case for aggregates, utilizing both road and rail distribution. The products cover a wide size range from 2-3 inches at the coarse end down to extremely fine fillers with a particle size of less than 10 microns.

It is difficult to present quantified market statistics for this sector as the respective government agencies do not differentiate these products within the general aggregate or industrial mineral sectors. Recent analysis by independent consultants suggested that the North American market for finely ground limestone fillers totals US$500 million annually. However, the market is further sub-divided into specialist sectors, generally demarcated by particle size. The Company's products are in the medium size range and competitors exist in each of the served markets.

Construction Aggregates

Uses and markets

Construction aggregates are crushed and graded minerals sold for their physical, not chemical, attributes. They may be produced from a wide range of mineral types including: limestone, sand and gravel, and igneous rocks such as granite, trap-rock and basalt. They are the major constituent in concrete and asphalt, as well as being used for road bases and other foundations. There is no part of the modern infrastructure which does not contain substantial quantities of aggregates. Road construction and maintenance is the largest market sector, consuming some 30% - 40% of total production. Most deliveries of aggregates are made within a 50 mile radius of the source quarry so the market is, in reality, a proliferation of local markets. Consequently, there is no single national or North American market as such. Individual, single-operation, companies can enjoy dominant local market positions resulting from competitive distribution costs. The Company sells construction aggregates from all operations excepting Global Stone Detroit and Global Stone St. Clair.

By any standard, the North American market for construction aggregates is huge. According to information published by USGS and CMEMR, demand was 2.70 billion tons in 1995 and further growth in 1996 was expected. This compares with the previous peak of 2.62 billion tons in 1988. Per capita consumption rates of aggregates in Canada and the United States are among the highest in the economically developed world.

Management of the Company believes that the need to replace aging infrastructure in North America, such as roads and bridges, will remain a priority for public expenditure. In 1991, the United States passed the Intermodal Surface Transportation Efficiency Act which called for approximately US$151 billion in expenditures, of which approximately US$119.5 billion was allocated to highway construction, over a six-year period. Similar needs are also apparent in Canada. However, as with all politically determined expenditures, there is a possibility that planned construction projects may be delayed, altered or cancelled.

Competition and industry structure

There is an extremely large number of construction aggregate producers. In its 1995 Annual Reviews, the USGS records 968 million tons of construction sand and gravel and 1,389 million tons of crushed stone being produced from more than 9,000 operations. Many of these active operations are small scale or wayside locations operated by state or local governments, usually to meet the requirements of highway contracts in more remote locations.

There are many public companies whose positions are substantial and often centred on a particular geographic region. Examples are: Vulcan Materials Corporation (American), Martin Marietta Materials (American), Cornerstone Construction and Minerals (formerly Hanson Plc. - British), Redland Plc. (British), C.S.R. (Australian), Tarmac Plc. (British), Evered-Bardon Plc. (British), Blue Circle Cement Plc. (British), and Pioneer Concrete Services (Australian). Management of the Company estimates that only the first three companies individually have a 5% or larger share of the North American market.

THE COMPANY

The map on Page 11 shows the location of the Company's operations and other commercial lime plants.

General description of extractive operations

At all Company locations, excepting Global Stone Detroit where limestone is purchased from a third party, limestone is extracted from the ground by traditional drilling and blasting techniques. In a surface quarrying operation the high purity limestone is often covered by an overburden of construction grade limestone which is first removed, also by drilling and blasting. The Company utilizes this overburden whenever possible to produce construction aggregates, usually in a dedicated crushing plant, in order to minimize the overall costs of extraction. In an underground mining operation there is no overburden and the mine workings are driven in high purity stone utilizing mostly the same equipment as for surface quarrying, although the costs of underground extraction may be higher. Following extraction, rock hauler trucks are used to deliver the 'as-blasted' limestone to a primary crusher. It is then processed through several stages of crushing and screening to form products which are saleable as chemical limestone or ready for further processing into lime, fillers and other added-value products.

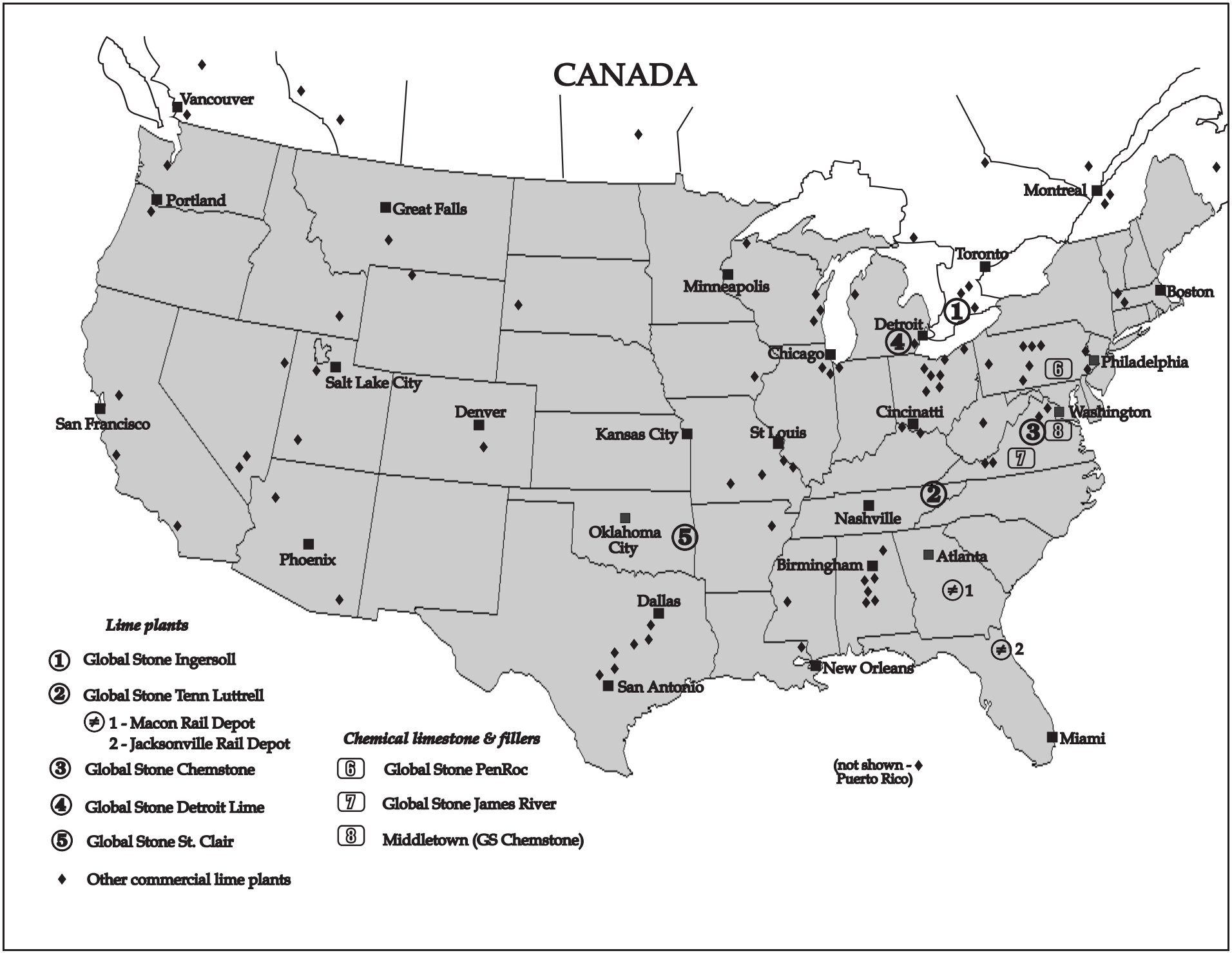
The process for the production of lime, chemical limestone and construction aggregates, by the Company, is described generally in the flow chart which follows on page 13.

Customers

During 1996, the Company's customer base continued to expand with the addition of Global Stone St. Clair, Global Stone James River and Middletown. Stelco remained the single largest customer, accounting for 12.3% of sales revenue, reduced from 17% in 1995 through the further growth and diversification of the Company. The steel industry is the Company's largest sales sector and management estimates that this sector will continue to account for approximately 30% of revenue. Sales to the environmental sector are growing rapidly and the Company now has a broad customer base covering all sectors of demand for lime products.

Distribution

The Company utilizes a variety of distribution options at its locations and, in total, the costs of distribution in 1996 represented 17% of gross revenue. Road delivery is the dominant transport mode and management estimates that approximately 90% of all tonnage is delivered in road vehicles. The Company generally does not own trucks but utilizes local haulage contractors in each of its markets. Many customers, particularly for construction aggregates, prefer to arrange their own deliveries and purchase from the Company on an "ex-works" basis. Rail transportation is utilized at several locations where it is cost effective for long hauls or because a customer has a plant facility constructed for rail delivery only.


CANADA
Vancouver
Portland
Great Falls
Minneapolis
Montreal
Toronto
Boston
Detroit
Chicago
Philadelphia
Salt Lake City
Denver
San Francisco
Kansas City
St Louis
Cincinatti
Washington
Nashville
Oklahoma City
Phoenix
Birmingham
Atlanta
Dallas
New Orleans
San Antonio
Miami
Lime plants
1 Global Stone Ingersoll
2 Global Stone Tenn Luttrell
≠ 1 - Macon Rail Depot
2 - Jacksonville Rail Depot
3 Global Stone Chemstone
4 Global Stone Detroit Lime
5 Global Stone St. Clair
♦ Other commercial lime plants
Chemical limestone & fillers
6 Global Stone PenRoc
7 Global Stone James River
8 Middletown (GS Chemstone)
(not shown - ♦ Puerto Rico)

Lime production capacity

The table below summarizes daily lime production capacities at December 31, 1996. The capacity over a twenty four hour period cannot be projected over a full calendar year as kilns require regular planned outages for maintenance, and equipment is subject to the usual breakdowns experienced with any mechanical plant. Typically, a kiln will produce for between 80% and 90% of the available hours in any year. A rotary kiln with pre-heater is generally regarded in North America to be the most modern large scale lime production kiln whereas the new generation regenerative vertical shaft kilns are the most energy efficient. A pre-heater is a device for recovering waste heat from kiln flue gases, thereby maximizing thermal efficiency to reduce fuel costs per ton of lime. The production kilns used to manufacture lime are massively constructed and if properly maintained will provide an extended working life with only relatively minor updating investment as the rate of technical obsolescence is extremely slow. The Company has both shaft and rotary kilns in production.

Lime production capacity

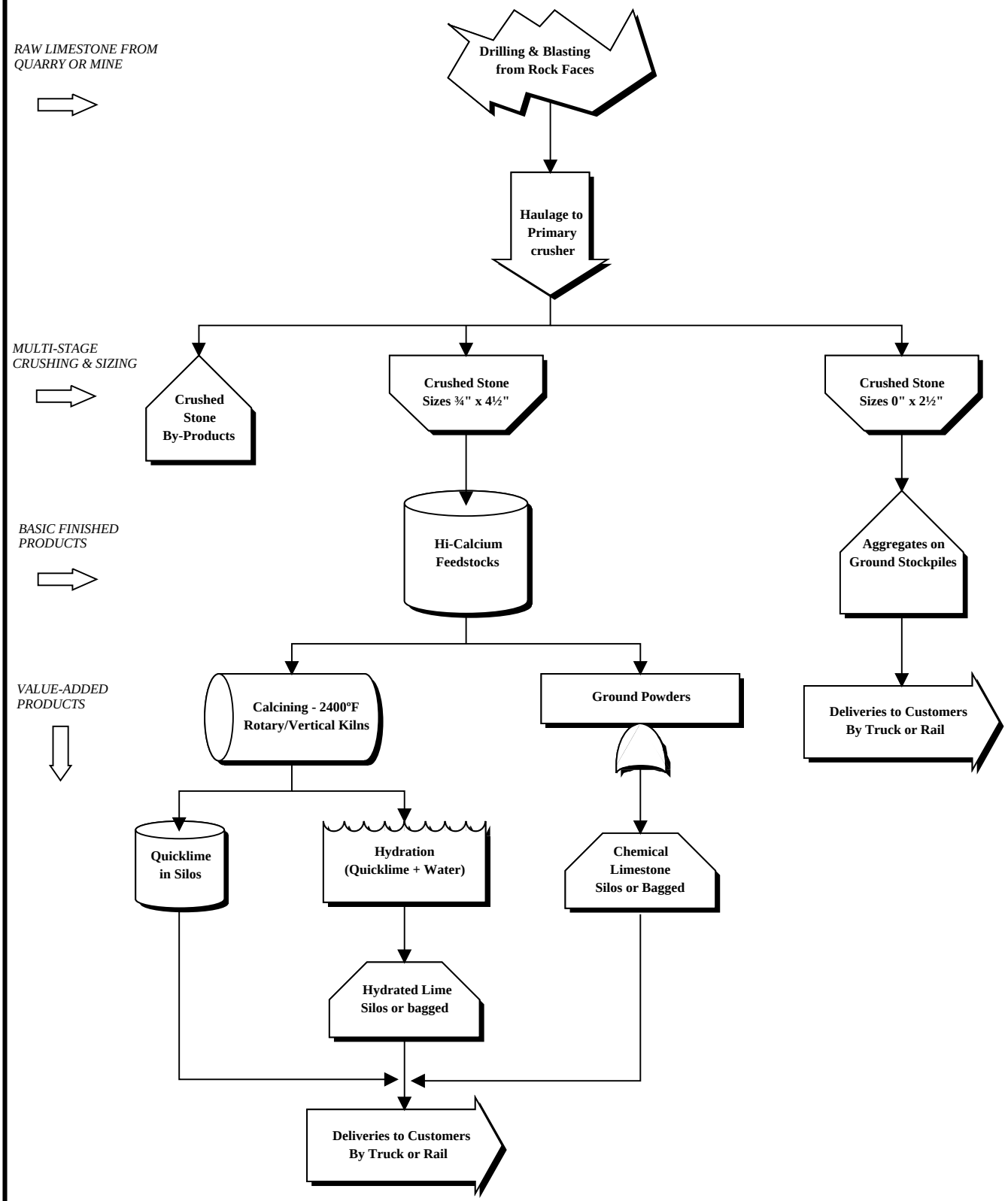
Plant	Capacity - Tons/Day		Kiln Summary		
	Potential	**Operating**	**Installed**	**Status**	**Fuel**
Global Stone Ingersoll	420 300	420 300	1 x Rotary/pre-heater 3 x Shaft - (old)	Operating Operating	Gas Gas
Global Stone Tenn Luttrell	850 330	850	1 x Rotary/pre-heater 1 x Regenerative shaft	Operating Commissioning	Coal Coal/Coke
Global Stone Chemstone	600 140 450	600 140 180	1 x Rotary/pre-heater 1 x Rotary hearth 5 x Shaft - (old)	Operating Operating 2 x Operating	Coal/Gas/Oil Gas Gas
Global Stone Detroit Lime	1,000 500	1,000	1 x Rotary/pre-heater 1 x Rotary/pre-heater	Operating Dormant	Coal/Gas Coal/Gas
Global Stone St. Clair	380 240	380 240	1 x Rotary long kiln 1 x Rotary/pre-heater	Operating Operating	Coal/Coke Coal/Coke

Mineral reserves

The Company has extensive reserves of high purity limestone, the majority of which are high calcium although the newly acquired Global Stone James River operation also works dolomitic limestone. The evaluation of limestone resources is normally a simpler procedure than for metalliferous ore bodies, such as gold or nickel, where mineralogy, grade and the complexity of deep underground structures demand frequent and expensive test drilling. Limestone deposits are typically massively bedded, often more than 100 feet thick, consistent in composition along the bedding, and extensive in area. While folding, faulting and complex structures are possible, they are less common and a set pattern of core drilling usually allows chemistry and quantitative data to be accurately assessed. Limestone is generally worked as surface or shallow deposits providing extensive natural exposures which can be physically sampled. It is, therefore, usually possible to determine limestone reserves and quality variations within high confidence limits.

The Company assesses mineral reserves as a part of its due diligence acquisition procedures. Re-evaluations thereafter are carried out at infrequent intervals, primarily to update earlier work from actual experience. The Company regards its mineral reserves as stated in the table on Page 14 to be reliably accurate within the categories: ‘Proven’, ‘Probable’ or ‘Possible’.

Typical Limestone Quarry and Lime Works Flowsheet



The Company's principal operations have long reserve lives based on the 'Proven and Probable' categories only at the date of the last assessment. The Company anticipates that the reserves classified as 'Possible' will be available for extraction when required, but is not currently planning expenditures on core drilling to re-categorize them as 'Proven', in view of the considerable lives already indicated. The majority of the reserves detailed have the benefit of permits for extraction and, in the case of Global Stone Ingersoll, 79.25 million tons of the 'Possible" reserves also have a permit for extraction. The Company considers that its reserve position is satisfactory at all operations and will pursue additional permits as the need justifies.

Summary of mineral reserves

Operation	Year of Assessment	Mineral Quality	Reserves in Millions of Tons				Operating Life - Years
			Proven	Probable	Possible	Total	
		(Note 1)					*(Note 2)*
Global Stone Ingersoll	1992	Chemical	7.10	40.13	275.25	322.48	43
Global Stone Tenn Luttrell	1993	Chemical Aggregate	39.43 14.24	16.48 -	30.57 -	86.48 14.24	56 -
Global Stone Chemstone	1994	Chemical Aggregate	43.60 31.60	17.30	-	60.90 31.60	68 -
Middletown	1996	Chemical	9.2	4.1	5.0	18.1	33
Global Stone PenRoc	1995	Chemical Aggregate	4.82 4.52	5.60 6.18	4.21 4.12	14.63 14.82	26 -
Global Stone St. Clair	1995	Chemical	24.46	24.50	-	48.96	61
Global Stone James River	1996	Chemical	*(Note 3)*	34.55		34.55	45

Notes:

1. 'Chemical' quality denotes high purity limestone suitable for manufacturing lime, chemical limestone and fillers. 'Aggregate' quality is suitable only for construction applications.
2. Life is computed by dividing the total Proven and Probable reserves by the tonnage extracted in the fiscal year on which this document reports. No figure is stated for aggregates as reserves assessed are limited to those to be removed as an overburden to the chemical limestone. This may be less than the total amount of aggregate grade stone which could be extracted if the resource were worked specifically for that purpose.
3. No reserves have been classified as 'proven' at this location due to insufficient geochemical data at the time of acquisition. Core drilling is being undertaken in 1997 to provide this data at which time it is expected that a significant proportion of the 'Probable' reserves will be reclassified as 'Proven'.

Personnel

The Company employs approximately 666 persons of whom 149 are supervisory, management, or administrative and 517 are operational employees. The geographic distribution of employment is: Canada - 94; US - 570; UK - 2. The Company provides benefit and pension plans which it believes are commensurate with good employment practice in the geographic area in which the operations are situated. A 401k pension plan has been established for the majority of employees in the United States and is administered by an external provider of pension services. At Global Stone Tenn Luttrell and Global Stone Ingersoll, the Company operates defined benefit plans inherited from the previous owners.

The Company places emphasis on the health and safety of its employees and is committed to the prevention of occupational illness and injury by providing and maintaining a safe and healthy workplace. The responsibility for workplace health and safety is delegated to the general manager at each of the Company's operations.

The Company has three union recognition agreements as follows :-

- At Global Stone Detroit Lime, the bargaining unit is represented by the Teamsters Union under a collective agreement which was renewed for three years in January 1996.
- At Global Stone Ingersoll, the bargaining unit is represented by the Communications, Energy and Paper Workers Union under a collective agreement which was renewed for three years in March 1996.
- At Global Stone Tenn Luttrell, the bargaining unit is represented by the Chemical Workers Union under a collective agreement expiring in March 1997.

Management of the Company believes that labour relations with its employees, both union and non-union, are satisfactory and that collective bargaining agreements will continue to be re-negotiated without work stoppages. However, there can be no certainty of this outcome.

Environment

The Company owns or controls large areas of land upon which it operates quarries, mines and their associated processing plants, with inherent environmental responsibilities. There is a low level of environmental risk posed by the production of lime and limestone products which are benign and non-toxic to the environment. The fastest growing use for these products is in the protection of the natural environment, including water purification, the reduction of acid rainfall through FGD applications, and to remediate environmental problems caused by other industrial and municipal activities. Further operational considerations at the Company's sites are:-

- Hazardous materials, other than fuels, lubricants, and explosives, are not stored or used on the sites. Liquid fuels, for use in vehicles and mobile plant, are stored in facilities with secondary spill containment. Explosives are stored in facilities specifically installed for this purpose in accordance with applicable mining regulations and used only by certified personnel.

- Small quantities of chemicals are kept on site for use in quality control laboratories and maintenance workshops. Their presence is not considered to give rise to a significant hazard.

- By-products and non-hazardous wastes from mining and lime manufacturing may be stored on site. The Company does not own or operate landfills for materials received from external sources.

The applicable laws, regulations and guidelines for environmental care are established by provincial, state, and federal authorities and consequently vary at each site. The rate of change of such legislation has been rapid over the last decade and compliance can require significant expenditures. For example, recent U.S. federal legislation required all lime producers to apply for a "Title V" operating permit. The costs associated with these applications are estimated to be US$80,000 per site. While the Company cannot be certain that it will always be able to comply with legislative change without a material impact on its business, it is not aware of any such impending change.

Each of the Company's operations has been acquired following a pre-acquisition Phase 1 Environmental Site Assessment (**"Phase 1 ESA"**) by external consulting environmental engineers and any material issues are discussed in the review section of each operation. A Phase 1 ESA is a reconnaissance intended to discover and evaluate general and specific environmental hazards associated with a property. Problems identified were generally of a housekeeping or record keeping nature, however, where the audit reported deficiencies considered to be material, they were either addressed before the acquisition was completed or the Company has limited its liability through funds placed in escrow by the vendors to meet estimated clean-up requirements.

Each operation is controlled by a general manager who has responsibility for environmental compliance. The general manager has the necessary authority and resources available to meet the relevant environmental responsibilities including the retention of professional external consultants or counsel. The general managers report, directly or indirectly, to the Chief Operating Officer of the Company who is a board member. The board of directors relies upon the management of the Company which utilizes external consultants to complete Phase 1 ESAs on a three year cycle. At Global Stone Detroit a second Phase 1 ESA was completed at the end of the first year of operation in accordance with an understanding between the Company and its Debenture holders.

GLOBAL STONE (INGERSOLL) LTD.

Overview

The operations of Global Stone Ingersoll are located about three kilometres north of Highway 401 at Ingersoll, Ontario. The property contains extensive high-purity limestone deposits and covers an area of approximately 1,350 acres all of which is owned freehold. A Canadian National Railways main line passes through the property and provides a loading spur into the production plant. Annual extraction of the high purity limestone is approximately 1,100,000 tons of which approximately 450,000 tons are used to produce an average 225,000 tons of lime. The balance is sold to Stelco and other customers as chemical limestone or construction aggregates.

Stelco has a right of first refusal, during the term of the supply agreements referred to below under "Markets and competition", in the event of any proposed sale either by Global Stone Ingersoll of all, substantially all, or any material part of its assets, or by Global Stone Corporation of any shares of Global Stone Ingersoll. The re-purchase price to be paid by Stelco, during the first six years, would be the lower of the price to be paid by the proposed third party purchaser and the original acquisition cost to the Company, adjusted for capital improvements and depreciation and indexed for inflation. For the balance of the term of the supply agreements, Stelco has the right to match any bona fide third party offer.

The Company's strategic objectives for Global Stone Ingersoll are: to reduce the dependency of the business on Stelco by developing a broader customer base, to maximize the value of the mineral reserve by developing a construction aggregates business and marketing by-products, and to improve profitability by the prudent investment of capital which will reduce costs, increase productivity, and improve lime product quality.

Markets and competition

Lime. Concurrent with the acquisition of Global Stone Ingersoll in 1992, two 12 year supply agreements, and one 6 year agreement, were entered into for the supply of lime and limestone to Stelco's steelworks at Hamilton and Nanticoke, Ontario and to the steelworks of Stelco-McMaster Limitée, a wholly-owned subsidiary of Stelco, in Quebec (the **"Supply Agreements"**). During 1996, Stelco formed the Nanticoke operation into a wholly-owned independent subsidiary company now trading as Lake Erie Steel Company. The Supply Agreements provide for Stelco to satisfy all of its limestone and lime requirements in relation to those steelworks, for the first six years, through purchases from the Company. Prices for bulk lime are subject to annual review on the basis of a formula which recognizes wage costs, energy costs and steel prices. The price for boxed lime is determined solely by reference to the cost of lime, plus packaging costs and a fixed mark-up to such costs. During the following three years and the last three years of the 12-year Supply Agreements, Stelco has agreed to purchase at least 90% and 80%, respectively, of the total dollar value of its lime and limestone requirements, in relation to those steelworks, from the Company.

The Supply Agreements provide for prices to be reviewed at the initiative of either party on the sixth and ninth anniversaries of the date of acquisition, having regard to current market rates for lime supplies of equivalent size and quality. The Company has also agreed that Stelco will receive the benefit of any lower price, and of any other more favourable terms, at which the Company sells similar quantities of the same product to any other entity having a competitive relationship with Stelco. Stelco will also receive the benefit of any lower price, or more favourable terms and conditions, at or on which the Company sells the same product to any third party if sales to that third party exceed 20,000 tons in any calendar year. During the terms of the Supply Agreements, the Company is to satisfy Stelco's lime and limestone requirements in preference to any other customers and, if Global Stone Ingersoll produces insufficient lime to meet Stelco's purchase requirements, the Company has the right, and must use its best efforts, to secure lime from an alternative source. It is also provided that Stelco will not sell or transfer any of the steelworks to which the Supply Agreements relate without ensuring that the purchaser agrees with Global Stone Ingersoll to assume Stelco's obligations thereunder.

Progress has been made in finding new outlets for lime, particularly for the fine sizes which have limited uses for the steel industry. Several orders have been secured from mining operations in northern Ontario and a range of industrial users in the state of New York.

The lime market for Global Stone Ingersoll is primarily within a 200 kilometre radius, however, because Stelco consumes the bulk of lime products from Global Stone Ingersoll under the Supply Agreements, competition currently does not have a material impact. BeachviLime Limited, a high calcium lime producer whose facilities are located adjacent to Global Stone Ingersoll, is the most significant competitor. The closest United States plants are Global Stone Detroit Lime (operated by the Company since January 1, 1995 - see "Global Stone Detroit Lime") and Marblehead Lime, both located in Detroit. BeachviLime and Marblehead Lime are both subsidiaries of Carmeuse. The Detroit producers do not have a cost advantage over Global Stone Ingersoll and currently do not compete in its market area. Global Stone Ingersoll enjoys a mutually beneficial commercial relationship with Global Stone Detroit Lime, with each plant supporting the other with lime during periods of high demand or maintenance-related downtime.

Chemical limestone and aggregates. Sales of chemical limestone are made to Stelco and for specialty applications such as cement manufacture. In 1993, Global Stone Ingersoll commenced supplying chemical limestone to a specialty cement manufacturer under a 10 year supply agreement for up to 250,000 tons per annum. Demand for chemical limestone for use in FGD applications is also growing within the market area and in 1996 two contracts were secured to supply crushed limestone for this purpose. In total, sales to these two new contracts are expected to eventually rise to approximately 200,000 tons per annum, the larger proportion being to Ontario Hydro and the balance to New York State Electric and Gas.

Competition is essentially the same as for lime products, although, in the lakeside towns of southern Ontario, competition is intensified by the shipment of high calcium limestone across the lakes from large quarries in northern Michigan and northern Ontario.

Global Stone Ingersoll's market for construction aggregates is within an approximately 80 kilometre radius of the quarry. The significant sources of competition are those limestone quarries located to the east along the Niagara Escarpment and deliveries by boat into southern Ontario from the northern Michigan and northern Ontario producers. There are several indigenous sources of sand and gravel within the market area which are believed to be depleting and declining in quality as construction aggregates. Global Stone Ingersoll has become an approved supplier of aggregates to highway construction works for the Ontario Ministry of Transportation and limestone has gradually established itself as the preferred aggregate of the Ministry for high specification road contracts. Global Stone Ingersoll has been successful in securing major contracts for the supply of aggregates in connection with the upgrading of Highway 401. With environmental pressures to protect the Niagara Escarpment increasing, the Company expects a steady growth in demand for Global Stone Ingersoll's construction aggregates, although local levels of economic activity will continue to influence short term demand cycles.

Quarrying and manufacturing operations

The high purity limestone lies in a bed approximately 100 feet thick under an overburden of lower grade limestone ('caprock') which is covered by a loose unconsolidated mixture of sand, gravel and glacial tills. The surface layer is a thin mixture of sub and top soils which are stripped off and stored around the perimeter of the site. The loose overburden is excavated and tipped in worked out areas of the quarry. The caprock is drilled and blasted, with a portion being sold for erosion control and the balance being tipped in the worked out areas. All overburden removal is undertaken using the quarry plant and equipment. The quarry bottom lies some 40 feet below the water table and is de-watered by electric pumps.

The existing 'Proven' quarry reserves are extracted from land lying south of the CNR main rail line and are expected to be exhausted around the end of 1999. A new quarry will be developed to the north of the CNR line to exploit long term reserves of which approximately 120 million tons are currently permitted for extraction. The new quarry area will be connected with the existing processing operations by a tunnel under the railway and management expects to begin driving this tunnel, and stripping overburden, in l997/8.

Lime is produced in three vertical shaft kilns and one rotary kiln, all fired with natural gas which represents the highest cost element in the production of lime. The rotary kiln is of a modern design and in good condition, although some investment in upgrading the instrumentation and dust collection equipment is desirable. The three vertical shaft kilns date from the 1950's, and require upgrading to improve product quality to meet the future needs of the market, including Stelco, which could cost approximately $3.0 million.

Additional lime sizing plant and storage was completed in December 1994 at a cost of $0.66 million. A dedicated aggregates production plant was installed at cost of $3.06 million in April 1995. In May 1996, a new primary crusher was installed at a cost of $1.4 million to replace an obsolete unit for which spares were no longer available. The installation of this major equipment and subsequent extended commissioning caused considerable disruption to production in the year.

Environmental considerations

An environmental assessment of Global Stone Ingersoll by independent consultants in July 1992 concluded that the operation is expected to have minimal environmental impact, to pose low environmental risk, that hidden environmental issues are unlikely to arise, and that existing procedures are adequate for environmental compliance. In accordance with the Company's three year audit cycle, a Phase 1 ESA was completed in September 1996 and did not reveal any issues which management consider to be material to the continuing operation of the business.

GLOBAL STONE TENN LUTTRELL COMPANY

Overview

Global Stone Tenn Luttrell operates a high purity limestone mine, quarry and lime works on 598 acres of freehold land at Luttrell, Tennessee, 20 miles north east of Knoxville. In November 1995, Global Stone Tenn Luttrell sold 380 acres of limestone bearing land which had been included in the original acquisition and was considered to be surplus to requirements. Known as the "Forks of the River" site, there had been no active operations on this land for some years and the purchaser was required to enter into a non-compete agreement.

Approximately 1,000,000 tons of limestone are extracted annually of which approximately 500,000 tons are used to produce some 275,000 tons of lime, the balance being sold as chemical limestone and construction aggregate products. In October 1994, Global Stone Tenn Luttrell received a permit for the installation of two vertical shaft regenerative kilns. Installation of the first additional kiln was completed in May 1996, however, initial commissioning revealed design deficiencies and the Company presently anticipates that the kiln will be ready for operation during the first half of 1997. This new kiln will produce up to 104,000 tons of lime annually with a commensurate increase in stone extraction of 250,000 tons and an overall reduction in the cost per ton of lime produced.

The Company's strategic objectives for Global Stone Tenn Luttrell are: to reduce the costs of lime production through the optimization of existing infrastructure by investment and management control systems, and by the installation of the low energy cost second kiln.

The mineral reserves worked by Global Stone Tenn Luttrell are owned by Buddeke Industries Inc. ("**Buddeke**") and are situated below the majority of the 598 acres to which Global Stone Tenn Luttrell holds the freehold title. Buddeke and Global Stone Tenn Luttrell have entered into a lease agreement (the "**Mineral Lease**") permitting Global Stone Tenn Luttrell to quarry, remove and sell all of the recoverable limestone lying in and upon the property described in the Mineral Lease. The rights granted are subject to all existing conveyances, easements and agreements made on or before the date of the Mineral Lease relating to a variety of matters. A royalty based on the tonnage of limestone quarried and sold from the property is payable to Buddeke. In 1996 the royalty rate was $0.06 per ton.

The Mineral Lease continues until March 2015 or such earlier time as all of the merchantable limestone in the property is exhausted. It may also be terminated by Buddeke upon the happening of certain customary events of default. Buddeke has the right, if it declares the Mineral Lease terminated, to require Global Stone Tenn Luttrell to pay to it, in lieu of all other remedies that Buddeke has against Global Stone Tenn Luttrell under the Mineral Lease (other than obligations of indemnification), the sum of US$0.5 million plus all unpaid royalties due to the date of such payment, whereupon the leased mineral rights must be conveyed to Global Stone Tenn Luttrell. Under a Sale and Leaseback Agreement entered into concurrently with the Mineral Lease, Global Stone Tenn Luttrell has the option, exercisable at any time prior to one year following termination of the Mineral Lease, to repurchase the mineral rights upon payment of their Fair Market Value, which is to be determined by negotiation between the parties and, failing agreement, by arbitration.

Markets and competition

Lime. Global Stone Tenn Luttrell's markets are principally in the states of Tennessee, Kentucky, North and South Carolina, Georgia and Florida. Sales for environmental uses and to the pulp and paper industry account for approximately 42% and 33%, respectively, of annual gross lime revenue with the balance sold in roughly equal amounts for use in the chemical and metallurgical industries and for soil stabilization in highway construction. The ten largest customer accounts represent approximately 40% of sales revenues.

The Florida market is served using cost-effective rail delivery of quicklime products to a terminal in Jacksonville where there are no indigenous producers. In October 1995, Global Stone Tenn Luttrell opened a second rail connected operation in Macon, Georgia. Trading under the name Georgia Hydrate, the Macon depot represents a prototype manufacturing operation, producing construction grade hydrate lime for the Georgia asphalt market, where it is used as an anti-stripping agent. Some quicklime products will also be resold from the Macon depot.

Global Stone Tenn Luttrell is the only lime producer in Tennessee and has a commanding position in local lime markets. Sixteen competitive operations are located in the neighboring states of Alabama (6), Arkansas (1), Virginia and West Virginia (4), Missouri (3) and Kentucky (2).

Chemical limestone and aggregates. Chemical limestone is supplied in granular form by rail or by road, in either bulk or bagged loads. The two most important markets are fillers for roofing products and calcium supplements in animal feeds. Following the acquisition of Global Stone James River the Company has been able to achieve production and commercial synergy by transferring orders between these plants.

The market for construction aggregates is primarily within the greater Knoxville area, where the company competes with several other local producers. Global Stone Tenn Luttrell enjoys an established name and reputation, and, with its broad product range, is cost competitive within its market area. The production of construction aggregates is largely from non-chemical grade limestone overburden providing added value and minimizing the overall unit cost of mining/quarrying.

Quarrying, mining and manufacturing operations

Quarrying of limestone began on an undeveloped site in 1973 and progressed into underground mining in 1983 as the initial quarry's deep and narrow profile gave rise to increasing extraction costs. The operation currently recovers limestone from a combination of surface quarrying and underground mining, both of which are conventional methods of extraction in the south eastern United States. The basic mine design provides the flexibility needed to meet changing grade conditions and to accommodate a 35^{O} dip of the limestone beds. Headings within the mine are pre-split by explosives to maintain accurate development followed by traditional blasting of the high purity limestone in two levels, or benches, totalling approximately 90-100 feet. The same mobile plant is used to load blasted rock either out of the mine or quarry.

Lime is produced in a single coal fired pre-heater rotary kiln, installed in 1979, using coal purchased from one of several sources in the adjacent state of Kentucky. The plant is reasonably modern, in good condition relative to its age, and was designed to permit the installation of the additional lime kilns with minimal changes to the infrastructure. Some upgrading of the stone crushing and screening equipment will be required in the future.

Environmental considerations

A pre-acquisition Phase 1 ESA identified a number of minor deficiencies which have been addressed and one material deficiency concerning the treatment of lime kiln dust ("**LKD**"), a non-toxic mixture of lime dust and fly ash residues from the burnt coal fuel, which is collected in the kiln dust collection system. Global Stone Tenn Luttrell has always sold a proportion of its LKD production for agricultural and municipal waste treatment purposes, with any excess being stored in on-site stockpiles. In recent years, management has concentrated on developing sales outlets for the LKD and currently substantially all of the LKD is sold. Tennessee state authorities have determined that, under the solid waste regulations, a closure plan will be required in respect of the historic stockpiles. This would consist of covering them to prevent washout for which Global Stone Tenn Luttrell proposes to utilize quarry overburden and has conducted trials. However, a market has been found for the stockpiled materials which might eliminate the requirement for a formal closure plan. Management does not expect the cost of dealing with this situation to be material.

GLOBAL STONE CHEMSTONE CORPORATION

Overview

Global Stone Chemstone operates two high-purity calcium limestone quarries situated at Strasburg and Middletown, Virginia, together with a lime works at Strasburg and a limestone powders manufacturing plant at Middletown. These adjacent operations are situated close to an excellent highway system at the junction of Interstate Highways 81 and 66 approximately 50 miles west of Washington, DC. Both properties are served by the Chessie System railroad and Global Stone Chemstone also owns a non-operational site of approximately 90 acres at Strasburg Junction providing access to the adjacent CSX railroad..

The Strasburg quarry and lime works is located on 860 acres of freehold land. The Company also owns a separate 540 acre parcel of freehold land, known as 'Middle Marsh', located approximately three miles to the north east, which is not currently zoned for industrial use and regarded by management as a long term strategic land holding. The Strasburg quarry and the Middle Marsh site are separated by, and have contiguous boundaries with, the Middletown property over which Global Stone Chemstone had a right of way prior to its purchase.

Global Stone Chemstone currently extracts approximately 1,000,000 tons of limestone annually from the Strasburg quarry of which 520,000 tons are used to produce some 260,000 tons of quick and hydrated lime, the balance being sold as chemical limestone and construction aggregates. Extraction from Middletown totals approximately 400,000 tons annually the majority of which is sold as industrial fillers, glass sands, agricultural lime and chemical limestone.

The Company's strategic objectives for Global Stone Chemstone are: to maximize market opportunities offered by high product quality and commercial synergy with the Company's other lime production facilities and to expand production to meet these opportunities. During 1995, the lime plant operated at its maximum production capacity. As a result of securing an order for lime to be used in the manufacture of precipitated calcium carbonate for the paper industry, the Company invested approximately US$0.65 million to re-activate two of five dormant shaft kilns at Strasburg in January 1996.

Markets and competition

Lime. Global Stone Chemstone supplies quicklime and hydrated lime to a wide and varied customer base in a market area principally comprising the states of Virginia, North Carolina, Delaware, New Jersey and the city of Washington DC. Of the 260,000 tons of total lime sales, approximately 35% is supplied to the steel industry for basic steel manufacture and specialized steel production. Other markets include paper and pulp processes, municipal waste water plants, industrial waste treatment, soil stabilization, asphalt, specialist mineral products, and FGD. The single largest customer accounts for approximately 10% of sales and the ten largest customers for approximately 50%.

In 1996, within Global Stone Chemstone's immediate market area, Germany Valley Lime completed the installation of a second rotary kiln capable of producing 500 tons of lime per day and W.S.Frey a small lime producer in northern Virginia installed additional lime production capacity.

Chemical limestone and aggregates. Chemical grade limestone represents a relatively small proportion of Global Stone Chemstone's sales and is sold for the chemical industry, agriculture, fertilizers, and water treatment.

Construction aggregates are produced from quarry overburden through a dedicated crushing, washing and screening plant, and are primarily sold within a 25 mile radius of the quarry for road construction, house building, ready-mixed concrete production and general civil engineering projects.

In April 1995, a local highway contractor erected a new asphalt plant on the Strasburg quarry property and entered into a 10 year lease which requires them to purchase all their limestone aggregate requirements for the new plant from Global Stone Chemstone. Management anticipates that the asphalt plant could require up to 100,000 tons of premium aggregates per annum.

Quarrying and manufacturing operations

Limestone is quarried at both locations in a conventional manner from open-pit operations. The high purity limestone is covered by an extensive overburden of lower grade limestone which is stripped by drilling and blasting with the shot rock used as the raw feed for the construction aggregates plant or taken to on-site dumps. The geology is complicated by the 30^{O} dip of the beds which dictates that at some future point it will become economic to extract the Strasburg reserves by deep mining although all the remaining reserves at Middletown should be extracted by open-pit methods. In 1996 the Company commenced a two year accelerated overburden stripping program at Strasburg in order to facilitate future extraction in accordance with an orderly mining plan. The costs of this stripping are being treated in accordance with the Company's policy of capitalizing stripping costs and amortizing them over the tonnage of production stone exposed.

Global Stone Chemstone currently produces lime through a coal fired pre-heater rotary kiln, a rotary hearth kiln and two vertical shaft kilns. The rotary kiln is a modern design and in good condition. The rotary hearth and shaft kilns are older and more expensive to operate being gas fired. Management expects to either replace or modernize them at an appropriate time, subject to prevailing market conditions and normal investment considerations. Hydrated lime is produced at the rate of 10 tons per hour through plant and equipment installed in 1989/90. The construction aggregates plant was installed in 1992 and is in good condition. The plant at Middletown is generally in good condition, the main filler production plant and the quarry primary crusher were renewed during 1990-1992. The remaining items of plant are quite serviceable relative to their ages.

Environmental considerations

In June 1994, a Phase 1 ESA found no material deficiencies at the Strasburg quarry site, however, at the non-operational Strasburg Junction site, one material issue of concern related to apparent high levels of vanadium remaining on the floor of a worked out quarry area. Subsequent investigation and testing verified that the contamination was the result of vanadium bearing fuel residues or slag having been temporarily stored in a stockpile on the site some years earlier. The residues were classified as non-hazardous when tested in accordance with the Resource Conservation and Recovery Act and a clean-up program was undertaken between January and June 1995, the costs of which are being met by the vendors from funds held in escrow for this purpose. Management and its consultants consider that the physical clean-up work at this site has been satisfactorily completed and are discussing the formal procedure for closure with state authorities.

In December 1996, Global Stone Chemstone agreed to enter into a Consent Letter Agreement with the Virginia Department of Environmental Quality under which a timetable of 12-18 months will be established for the study of dust arrestment systems or replacement alternatives for the rotary hearth kiln. The capital expenditure required for a dust collector is not considered to be material to the Company.

GLOBAL STONE DETROIT LIME COMPANY

Overview

Global Stone Detroit Lime operates a lime works, producing approximately 300,000 tons of lime annually, located on a freehold site of approximately 27 acres, in Dearborn, a heavily industrialized area near its largest steel customers. The property has adequate water frontage along the Rouge River for the discharge of vessels carrying limestone from independent suppliers located in northern Michigan. All products are shipped to customers by road although the facility has the potential to be rail connected over a previous track alignment, however, restoring the tracks would be a significant cost.

Under the operating lease between Levy and Global Stone Detroit Lime annual lease rental payments were US$0.45 million in the first year, 1995, increasing by US$25,000 in each subsequent year. The lease is 'triple net' and the Company is responsible for repairs and maintenance. Global Stone Detroit Lime's obligations under the lease have been guaranteed by the Company and Global Stone USA, and the Company's present intention is to exercise its purchase option (See Item 2 - General Development of Business).

The Company's strategic objectives for Global Stone Detroit Lime are: to reduce unit production costs through engineering solutions to identified efficiency problems, maximize the customer base utilizing the back-up opportunities through the common ownership with Global Stone Ingersoll, and to review the opportunity of increasing production capacity cost effectively by re-permitting a second, dormant, kiln on the property. If restarted, this second kiln would increase total production capacity for lime to 450,000 tons per annum.

Markets and competition

Sales from Global Stone Detroit Lime are primarily to the steel industry, with Rouge Steel the largest single contracted customer. Other major customers are Great Lakes Steel, North Star Steel and Quanex / Macsteel. Commercial outlets for lime to the environmental and public health sectors are increasing steadily but steel will continue to dominate. The bulk of lime sales are made in the states of Michigan, Ohio, Illinois and Indiana.

The most significant competitor, Marblehead Lime, which operates a similar lime manufacturing facility in the vicinity, is owned by the Belgian group Carmeuse, the parent company of BeachviLime located adjacent to Global Stone Ingersoll, and Northern Lime located at Spragge, Ontario.

To the south west, Marblehead Lime and Vulcan Materials produce high calcium lime from plants in the Chicago area, but the Company does not consider these operations to be competitive in the main Detroit area market. Dolomitic lime is produced by a number of companies in northern Ohio, the closest of which are Martin Marietta, Redland Plc. (2 plants), and GenLime. Marblehead Lime also produces dolomitic lime in the Chicago area. The different chemistry of dolomitic lime means that it is not competitive with the high calcium product from Global Stone Detroit Lime, although the steel industry is the major customer for both products.

Manufacturing operations

Crushed and graded limestone is purchased under long term agreements from independent quarries in northern Michigan and shipped to Detroit in chartered self-discharge vessels each carrying approximately 25,000 tons. The vessels are unloaded at Global Stone Detroit Lime's wharf and the limestone carried by conveyor to large open stockpiles capable of holding 600,000 tons, equivalent to one year's consumption at current rates. Vessels are received between May and December and during the four winter icing months the lime plant operates from inventory. Coal is brought to the site by barge and several alternate suppliers of coal are available.

Quicklime is produced through a modern coal/gas fired rotary pre-heater kiln installed in 1982. The second, non-operational, unit is an older coal/gas fired rotary pre-heater kiln requiring capital expenditure estimated at US$2.5 million, principally for air emission control equipment, to bring it back into production. An application submitted for a permit to restart this dormant kiln should be determined during 1997. In October 1995, Global Stone Detroit Lime carried out substantial re-engineering of the large kiln at a cost of approximately US$1.0 million to improve energy efficiency and during 1997 expects to complete the refurbishment with additional work on the dust arrestment baghouse.

Global Stone Detroit Lime has been able to meet the most exacting standards of quality assurance required by the steel industry to date and is currently preparing for certification under the latest standard, QS9000. The high degree of quality control at this operation is considered to be a competitive advantage which the Company intends to maintain and transfer to other facilities.

Environmental considerations

In November 1994, a Phase 1 ESA was completed and substantive issues subsequently resolved. However, the Company continues to monitor a situation in respect of a neighboring property separated from the Global Stone Detroit Lime site by a 60-foot wide public lane. This property is occupied by an oil processing and recycling company and subject to a remediation plan agreed by the State of Michigan to deal with the presence of hydrocarbons from that company's operations. In May, 1996, a second Phase 1 ESA was completed which did not raise any new material issues.

During the summer of 1996, dust emissions from the baghouse were noted by Wayne County inspectors and a Notice of Violation issued. As a result of this notice, Global Stone Detroit Lime is in negotiations with the county in respect of a Consent Order under which such emissions will in future be controlled. This will require the completion of the baghouse refurbishing works referred to under "Manufacturing operations".

GLOBAL STONE (UK) LTD.

Overview

In 1995 the Company adopted a strategy to minimize its UK interests in order to allow its executive management to concentrate on North America. In February 1996, in accordance with this strategy, Global Stone (UK) sold its wholly owned subsidiary, Tetbury Stone Company ("Tetbury") to a private investor (See Item 5 - Management's Discussion and Analysis). Tetbury owned an operating lease on a small specialty limestone quarry known as Veizey's Quarry (**"Veizey's"**). In order to effect this sale, the Company purchased the freehold interest in Veizey's for a gross cost of UK£592,593 including acquisition costs, ($1,267,243 at the exchange rate in effect at the time), and now receives a royalty on limestone extracted. The Company has also advanced $316,500 to Global Stone UK under a 5 year loan, bearing interest at 10½%, secured by a fixed and floating charge on its assets.

The 40% interest in Global Stone UK, which the Company does not own, is held by Electra Investment Holdings Plc, a London based public company specializing in the provision of venture capital funds.

Operations

Global Stone UK has entered into a joint venture agreement with a significant landowner to develop, through Somerley Aggregates Ltd. (**"Somerley"**), a 4.5 million metric tonne sand and gravel deposit at Somerley, near Ringwood, Hampshire. Global Stone UK has a 40% ownership of Somerley which represents its sole remaining UK business interests.

The reserves controlled by Somerley lie within close proximity to a sand and gravel processing plant operated by Tarmac Roadstone Southern Limited (**"Tarmac"**), a large public company whose own mineral reserves will be exhausted during 1996. Somerley and Tarmac have reached an operating agreement (the **"Operating Agreement"**) whereby Somerley will install an overland conveyor and deliver sand and gravel to the Tarmac plant in replacement for Tarmac's depleted resources. Following a delay while a variation to Somerley's planning consent was obtained, installation of the conveyor was substantially completed by December 1996 and extraction is expected to begin in the first calendar quarter of 1997.

Under the Operating Agreement, Tarmac is responsible for the extraction of the sand and gravel, its transportation by the conveyor system, and final processing. Tarmac is also responsible for the sale of the finished products under a separate Sales Agreement. Somerley remains responsible for overburden stripping and the final site restoration to agriculture at the lower level. The simplified operational requirements under the various agreements with Tarmac will ensure that the Company's strategic focus on North America is achieved.

GLOBAL STONE PENROC INC.

Overview

Global Stone PenRoc owns three high purity calcium limestone quarries, two of which were operational during 1996, and three associated processing plants, all located in York, Pennsylvania. The quarrying operations cover approximately 800 acres of freehold land. Two principal grades of stone are quarried: a dark coloured limestone, which is usually removed as an overburden and processed into construction aggregates in a dedicated plant, and a high purity white limestone which is the feed stock to one of two fine grinding plants producing fillers and whiting products. The annual production capacity of Global Stone PenRoc is approximately 800,000 tons of construction aggregates and 300,000 tons of industrial fillers.

In January 1997, an additional 300,000 tons of roofing grade filler capacity was added at a cost of US$1.38 million to supply a contract with a major roofing shingle manufacturer.

The Company's strategic objective for Global Stone PenRoc is to further develop the business through investments in growth and improved efficiency.

Markets and competition

The market for limestone fillers is varied and complex due to the range of customer requirements encompassing: chemistry, particle size, brightness and associated colour components. Global Stone PenRoc produces high calcium limestone fillers in medium particle size ranges, the principal markets for which are in the manufacture of jointing compounds for dry walling systems, carpet backing, sealant and adhesives. The largest single customer, Armstrong World Industries who use the whiting products to blend with titanium dioxide in the manufacture of vinyl flooring, accounted for approximately 20% of revenue in fiscal 1996. Manufacturing limestone powders of a specific particle size, or range of sizes, inevitably produces some materials outside of the desired size range which are marketed as by-products into varying applications including FGD and aglime.

The market area for Global Stone PenRoc's products is principally the states of Pennsylvania, Maryland, New Jersey, Virginia and New York. Within this market there are several competitors the most significant being: Specialty Minerals Inc. in Connecticut and Massachusetts, Thomasville Lime and Stone, Pennsylvania, English China Clay Inc., Omya in Vermont and Tennessee, and J.M. Huber, Illinois. Additional competition comes from Georgia Marble, Georgia, and Franklin, Minerals, Tennessee.

There are several local construction aggregate competitors, of which York Building Products (**"YBP"**) is the most significant. Global Stone PenRoc supplies an area generally within 20 miles around York, but to the east it is able to move materials to the fringe of Baltimore.

Quarrying and manufacturing operations

Limestone extraction takes place by traditional drilling and blasting surface mining methods at two quarries, Consolidated and Ensminger, both within West Manchester township. The geology is complex because of the extent of rock folding and the presence of synclines which are typical of Pennsylvania. Global Stone PenRoc carries out advanced pilot drilling to ensure that quarry production is planned to meet product quality objectives.

The three quarries, Consolidated, Ensminger and Williams (dormant) are situated within close proximity of each other. During 1996, Global Stone PenRoc obtained mining permits for all three in its own name and was able to extend the permitted areas to include all mineral reserves on the properties. The strategy for extraction is to concentrate on depleting mineral reserves at Consolidated, which has a life of approximately 7 years, at which time the crushing plant, which is largely of a mobile design, will be relocated and mineral extraction will concentrate on the long term Ensminger reserves.

The two fine grinding plants are the West Plant (fillers) situated within Global Stone PenRoc's property, and the Delta Plant (whiting) located on a leased site owned by YBP some three miles away. Global Stone PenRoc buys white limestone for the Delta Plant from YBP under a long term supply agreement and blends it with its own white limestone. The West Plant consists of five air-swept Raymond mills and one ball mill together with the associated product classification and storage facilities. There is a bagging plant at this site and the majority of products are delivered by road in bulk or bagged loads. A rail siding enters the plant from the Penn Central railroad and a small number of deliveries are made by rail. The Delta Plant produces whiting utilizing a cage mill and stores all products in sealed bulk silos for delivery by road. Both fine grinding plants are considered to be in good condition relative to their age.

Environmental considerations

In May 1995, a Phase 1 ESA was completed which did not raise any environmental issues considered by the Company to be material.

GLOBAL STONE ST. CLAIR INC.

Overview

Global Stone St. Clair is the only producer of lime in the state of Oklahoma and operates a high purity calcium limestone mine and lime works located at Marble City, some 60 miles south east of Tulsa, with a sales office in Oklahoma City. The property extends to a total of approximately 650 acres of which 500 acres are owned freehold and 150 acres are held under three mineral leases. The property is connected to the main Kansas City Southern rail line by a loading spur running into the plant, the rights to which were acquired and the track re-laid in December 1996.

Global Stone St. Clair annually extracts up to 600,000 tons of high calcium limestone from its underground mine from which it uses approximately 400,000 tons to produce an average of 190,000 tons of quick and hydrated lime products, with the balance being sold as chemical limestone in a range of sizes.

The Company's strategy is: to maximize lime production through capital investment, to expand the market for quality products through the re-establishment of rail distribution, and to promote sales of by-products. In January 1997, the first stage of investment in increased product storage was completed at a cost of US$0.8 million.

Markets and competition

Global Stone St. Clair's market is principally in the states of Oklahoma, Kansas and Arkansas. Primary customers for lime are fairly evenly divided between the environmental, steel, paper manufacturing and industrial sectors. Chemical limestone is sold to the chemical manufacturing industry and to a number of industrial and agricultural customers.

The principal competition to Global Stone St. Clair comes from a total of six lime plants located in Missouri (3), Arkansas (1) and northern Texas (2).

Mining and manufacturing operations

The massively and horizontally bedded deposit is dry, and provides for an efficient mining operation by traditional room and pillar methods. Headings are drilled with a jumbo drill rig and normal explosive practices used to blast the stone before it is loaded and transported to the primary crusher using standard quarrying mobile equipment. The crushing and screening plant is serviceable but old and will require upgrading although the Company does not anticipate that the expenditure would be material.

Lime is manufactured in two coal/coke fired kilns, a long narrow rotary kiln which uses the rear section of its length for heat recovery from the flue gases, and a rotary pre-heater. The kilns were installed in 1964 and 1971 and are considered in the main to be in good condition relevant to their ages, however, some upgrading of the electrical and dust arrestment systems will be required. LKD is collected by a mixture of dry air separators and wet venturi collectors. A lime hydrator and bagging plant and a limestone grinding plant were installed in 1990 both of which and are in good condition.

Environmental considerations

A Phase 1 ESA was completed in September 1995. The assessment revealed one deficiency that the Company considered to be material relating to the status of on-site disposal of the LKD from the wet collectors. The issue could not be resolved at the time of acquisition as the State of Oklahoma had promulgated new solid waste regulations which had not been enacted. Global Stone St. Clair anticipates being able to sell sufficient LKD to qualify for exemption from this regulation. In respect of any possible closure costs for the existing LKD dumps and certain outstanding drainage works, the Company agreed with the vendors that they would pay up to US$0.5 million of costs, if required, from funds to be placed in escrow.

GLOBAL STONE JAMES RIVER

Overview

Global Stone James River operates two high purity limestone quarries and associated processing facilities located at Buchanan, Virginia, approximately 30 miles north east of Roanoke. Approximately 500,000 tons of limestone is extracted annually the bulk of which is further processed into added-value fillers and pelletized limestone. The company also bags and resells decorative stone and concrete products, bought from external suppliers, in order to provide full service capabilities to retail sector outlets.

The principal operation lies alongside the James River within the town of Buchanan and comprises two limestone extraction areas and two crushing and processing plants adjacent to each other, a reflection of the development of this business when JRL acquired the neighboring property of Liberty Limestone. These reserves comprise high purity dolomitic limestone which is extracted by both open-pit and underground mining techniques. The site lies close to the major I 81 Interstate Highway and is served by the Norfolk Southern Railway with access to the CSX railroad at a nearby private siding. The second and smaller operation is the Rocky Point quarry approximately 8 miles north of Buchanan, where the reserves are high purity calcium limestone. A small crushing plant on site carries out the first stages of size reduction before the stone is hauled by road to Buchanan for secondary processing. Global Stone James River has an agreement with a management buyout group (the **"MBO"**) in respect of services to be provided from a small limestone quarry at Austinville, Virginia, some 70 miles south west of Buchanan. The MBO purchased the Austinville site from JRL concurrent with the Company's own purchase of assets and produces pelletized limestone and stores other products for resale by Global Stone James River.

The Company's strategy for these operations is to: increase pelletized limestone production at Buchanan and terminate the Austinville agreement, to consolidate both mining and processing operations within the Buchanan property and upgrade the plant with more cost effective production equipment, and to utilize Global Stone James River's retail market strength to develop other Company operations.

Markets and competition

Global Stone James River's markets comprise the states of Virginia, Pennsylvania, West Virginia, Ohio, Maryland and North Carolina. Sales of bagged pelletized limestone and other decorative stone products to retail sector 'home and garden' distributors are made throughout this market area. Fine ground fillers are sold to industrial customers for carpet backing, roofing shingles, glass manufacture and agricultural products. Competitors are Georgia Marble, Franklin Minerals, Thomasville Lime and Stone, American Limestone and several small local producers throughout the market area. Small quantities of construction aggregates are sold from non-chemical grade rock or surplus sizes. Sales of high calcium limestone from Rocky Point are made principally to power utilities for FGD purposes.

Mining and manufacturing operations

The dolomitic limestone extraction at Buchanan takes place from both open-pit and room and pillar underground mining developments using conventional drilling and blasting techniques. During 1997 Global Stone James River will carry out a program of core drilling to enable a mining plan to be finalized which will seek to concentrate future extraction in a single location. Extraction of high calcium limestone at Rocky Point is by open-pit methods on a number of benches. The overburden consists of soils and inferior rock which are removed using Global Stone James River's own mobile plant and stored on the property. The limestone pelletizing and bagging plants are modern and cost effective, however, the stone processing plants and associated buildings are older and require upgrading or replacement. The mobile plant is in satisfactory condition relative to its age. The Company acquired these assets with the intention of carrying out a long term program of consolidation, replacement and upgrading.

Environmental considerations

In February 1996, a Phase 1 ESA was completed which revealed a number of deficiencies none of which was considered material to the acquisition of the assets. In respect of the mining operations at Buchanan, a mud slide in 1986, the result of heavy rains, had sterilized an area of reserves and was the subject of outstanding discussions with the Virginia Department of Mines (**"VDM"**). At the time of acquisition, James River Limestone had submitted a closure plan for the slide area but a determination of the plan had not been made by the VDM. The Company estimated that the proposed works would cost $300,000 and the Vendor placed this sum in escrow.

ITEM 4 - SELECTED CONSOLIDATED FINANCIAL INFORMATION

Summary of results

The following is a summary of selected financial information concerning the Company for the years ended September 30, 1993 through 1996, and the period commencing with incorporation on January 24, 1992 and ending on September 30, 1992.

Cdn $000's	**Years ended September 30**				**Period ending September 30**
(except per share amounts)	**1996**	**1995**	**1994**	**1993**	**1992**
Gross sales of lime and limestone	149,145	101,752	56,378	18,232	0
Less freight included	25,462	14,363	9,781	1,559	0
Net sales of lime and limestone	123,683	87,389	46,597	16,673	0
Net earnings	7,553	5,781	4,256	724	0
Net earnings per share - ($)	0.30	0.27	0.25	0.10	0
Total assets	216,982	147,476	100,303	32,915	1,549
Long term debt and finance leases	69,685	47,748	28,496	3,553	0

Quarterly summary

The following is a summary, on a quarterly basis for the quarters indicated, of certain selected financial information:

Cdn $000's	**1996**				**1995**				**Full Years**	
(except per share amounts)	**Q 4**	**Q 3**	**Q 2**	**Q 1**	**Q 4**	**Q 3**	**Q 2**	**Q 1**	**1994**	**1993**
Net sales revenues	35,989	32,126	30,193	25,375	26,607	23,233	21,604	15,945	46,597	16,673
Net income	1,630	2,362	1,590	1,971	2,393	1,469	832	1,087	4,256	724
Net earnings per share - ($)	0.06	0.09	0.07	0.08	0.10	0.07	0.04	0.06	0.25	0.10

Dividend policy and restrictions

The Board is of the view that while the Company is in its present stage of growth and development, cash resources are best used to support continued growth. Accordingly no dividend has been declared or paid to date.

The Company has restrictions on the declaration and payment of dividends under the terms of its agreement with its bankers and of the Trust Indenture securing the outstanding Debentures. The Company is limited in any fiscal year to paying dividends not exceeding, in the aggregate, its net cash flow, provided that such payment does not result in a reduction in the amount of shareholders' equity. Under the Trust Indenture, certain financial tests are also prescribed.

ITEM 5 - MANAGEMENT'S DISCUSSION AND ANALYSIS

The operating results for 1996 again reflect the rapid growth of the Company together with a steady market demand for its products. In 1996, the results contain full year contributions from all operations with the exception of; Global Stone St. Clair (ten months), Global Stone James River (three months) and Middletown (one month).

Consolidated sales revenues by geographic segment

Revenue in Cdn $000's	1996		1995	
	Revenue	**% of Total**	**Revenue**	**% of Total**
USA	105,640	85.4	66,690	76.3
Canada	18,378	14.9	20,954	24.0
UK	398	0.3	1,163	1.3
Inter segment sales	(733)	(0.6)	(1,418)	(1.6)
Total net revenues	**123,683**	**100.0**	**87,389**	**100.0**

Consolidated sales volumes by product group

Sales in 000's Tons	Year Ending September 30				
	1996	**1995**	**1994**	**Change 1995/96**	**Change 1994/95**
Lime	1,274	982	581	+ 30 %	+ 69%
Chemical limestone & fillers	1,434	1,011	600	+ 42 %	+ 69%
Construction aggregates	1,805	947	335	+ 91 %	+ 183%

Lime sales represented 74% of revenue in 1996, compared with 77% in 1995 and 84% in 1994. Of the 30% total increase in lime sales in 1996 compared to 1995, 6% can be attributed to increased sales from existing locations, 16% from acquisitions and 8% from a full year's contribution from Global Stone Detroit Lime.

Provisional government statistics for the first ten months of calendar 1996 indicate that demand in North America in the full year will reach 23.648 million tons, a 1.8% increase from the 1995 actual market of 23.223 million tons. In the USA, market demand increased by 2.6% in the ten months to October 1996 over the comparative period in 1995, whereas in Canada demand fell by 3.6%, mainly related to a decline in the pulp and paper industry. The Company's existing operations were unable to fully participate in the increased market due to capacity constraints or plant difficulties at customer sites. Global Stone Ingersoll and Global Stone Tenn Luttrell increased lime sales by 2.4% and 4.6% respectively, mainly of lower quality lime products. Global Stone Ingersoll and Global Stone Detroit Lime lost approximately 16,000 tons of production through significant blast furnace problems at key steel customers. The Company anticipates sales of approximately 1.4 million tons in 1997 which will include an increased contribution from the re-furbished kiln at Global Stone Detroit Lime, a full year's activity at Global Stone St. Clair and additional kilns at Global Stone Chemstone. The new kiln at Global Stone Tenn Luttrell is expected to commence operation during the first half of 1997.

The USA end-use statistics show broad categorization of the market as follows.

Market Sector	1996 7 months	1995 Full Year
Chemical and industrial	33.2%	35.2%
Iron and steel	28.1%	28.5%
Environmental	29.4%	27.0%
Construction	9.3%	9.3%

The lime industry is investing in new production capacity to meet the growing market demand and management estimates that approximately 2.5 million tons of capacity will have been added between 1994 and 1997, of which developments at Global Stone Tenn Luttrell, Global Stone Chemstone and Global Stone Detroit Lime are a part. The bulk of this new industry capacity is being developed to meet long-term contracts, particularly to FGD projects. There is a risk that supply and demand could get out of phase which might lead to a softening of prices in specific locations. The average selling prices of the Company's lime products in the United States increased by 3.7% in 1996, reflecting a continuation of a trend in new and re-negotiated contracts which started in 1994. Average prices from Global Stone Ingersoll declined by 2.6% as a result of lower natural gas prices triggering a price reduction to Stelco in accordance with the long-term supply contracts, although net margins remained unchanged.

Chemical limestone and filler sales increased 42% over 1995 although sales from existing operations decreased by 9%, compensated by an additional 207,000 tons (19%) contributed from new acquisitions, and 293,000 tons (32%) from a full year's operation of Global Stone PenRoc. The decrease in sales from existing locations was largely a result of fluctuating demand on large single contracts at Global Stone Ingersoll. Other existing locations increased sales by 7%. The wide uses of high calcium limestone in manufacturing processes as diverse as carpet backings, animal feed stuff, glass manufacture and roofing shingles, ensured that overall demand reflected the generally buoyant economic conditions and with new contracts available for the Company's products, a further increase in activity in this section of the business is expected in 1997.

Construction aggregate sales increased by 91% over 1995 with sales from existing operations increased by 32%, an additional 35,000 tons (4%) being sold from new acquisitions and 517,000 tons (55%) from a full year's operation of Global Stone PenRoc. The increase in sales from existing operations resulted from the buoyant market in the USA. Sales are expected to be maintained at similar levels in 1997.

Results of operations in 1996

Cdn $000's (except per share amounts)	**Quarter 1** (unaudited)	**Quarter 2** (unaudited)	**Quarter 3** (unaudited)	**Quarter 4** (unaudited)	**1996** (audited)	**1995** (audited)
Net revenue	25,375	30,193	32,126	35,989	123,683	87,389
Operating income *(Note 1)*	3,955	3,783	4,381	3,344	15,463	11,476
Operating margin %	**15.6**	**12.5**	**13.6**	**9.3**	**12.5**	**13.1**
Net finance costs	1,287	1,711	1,074	1,541	5,613	4,010
Taxation	740	894	953	219	2,806	1,807
Minority interest	(43)	(412)	(8)	(46)	(509)	(172)
Net income	**1,971**	**1,590**	**2,362**	**1,630**	**7,553**	**5,781**
Earnings per share: Average - ($)	0.08	0.07	0.09	0.06	0.30	0.27
Earnings per share: Fully diluted - ($)	0.08	0.07	0.08	0.04	0.27	0.25

Note 1: Before net finance costs, taxation and minority interest.

Net income increased by 30.7% over 1995, while earnings per share increased on the average calculation by 8.9%. Shares outstanding on average in the year were 25,583,571 (1995 - 21,370,842). The operating income increase of $4.037 million is attributable $1.219 million to acquisitions, $1.009 million to a full year's operation from acquisitions in 1995, $1.267 million from sales of surplus assets and $0.542 million from improved results from existing operations.

The loss of sales due to customers' plant problems at Global Stone Ingersoll and Global Stone Detroit Lime held back the combined margins achieved at these two locations to 7.4% compared to 10.3% in 1995. At Global Stone Tenn Luttrell the operation has carried a full complement of staff during the construction period of the new kiln and margins fell back by 1.2%. The margins at the new acquisitions will reach the levels expected of them after reorganization and investment which usually requires 2 - 3 years to achieve. All these factors contributed to the decline in overall operating margins to 12.5% from 13.1% in 1995.

The increase in finance costs of $1.603 million was attributable to the draw down of the second and final tranche of the debenture facility in December 1995. The inability to fully absorb tax losses arising in Canada and the UK resulted in an increase in the Company's net tax rate to 28.5% *(1995 - 24.4%)*. Unused tax losses are carried forward and may be utilized in 1997 which would give rise to a reduced rate of tax in that year.

Review of operations

Global Stone Ingersoll. This was another year of progress in improving the plant to meet anticipated higher levels of demand. A new primary crusher installed in May replaced an old and limited machine giving increased capacity and reliability which will benefit sales and reduce unit costs in 1997. Stone processed decreased by 87,000 tons (8%) as a consequence of the disruption during installation and commissioning. Lime sales suffered from a 35 day closure of Lake Erie Steel Company's blast furnace for repairs in August 1996. Profits were below the 1995 level by $1,100,000 as a result of these two factors. Costs of lime production decreased by 7.5% mainly due to lower gas prices. The unit cost of stone production increased by 17.7% - the short term consequence of the primary crusher replacement project.

Global Stone Tenn Luttrell. The underlying business at Global Stone Tenn Luttrell was buoyant with strong demand for lime and construction aggregate products. The introduction of the new kiln had been planned for the spring of 1996, however, the combination of adverse winter weather, contractor delays and an extended commissioning period prevented the plant from contributing in the fiscal year. Non-operational land in Tennessee was sold producing a net pre-tax profit of $1,963,000. Lime production costs were reduced by 2.4% against 1995, while stone production costs were reduced by 8.4%. Construction aggregate sales volumes increased by 34% year on year.

Global Stone Chemstone. As a consequence of investing US$650,000 to re-start two dormant shaft kilns on this site, the company was able to benefit from sales of lime which increased by 25% over 1995. The new on-site asphalt plant provided a significant contribution to aggregate sales which increased by 113% over 1995. Chemical limestone sales volumes were 16% ahead of 1995. Lime and chemical limestone selling prices were slightly above the previous years achievements. Lime production costs increased by 6.5% due to the marginal effect of the gas-fired shaft kilns and a 16.5% increase in mining costs resulting from extensive mine development work the benefits of which will flow through in approximately two years. The integration of the Middletown operation in August 1996 should allow some future rationalization of mining costs.

Global Stone Detroit Lime. The main rotary kiln was refurbished in November 1995 with a net loss of approximately 12,000 tons of sales. The company followed a prudent policy of careful recovery of its market share following the refurbishment. This policy, together with blast furnace operating problems experienced by a major steel customer led to sales lagging production capacity levels. Selling prices were slightly above the previous year while the cost of lime production benefited from the refurbished kiln and reduced by 9.3%. The order book for 1997 is at a satisfactory level which should enable the company to significantly increase profitability.

Global Stone PenRoc. This company, acquired in 1995, produced good results, benefiting from the installation of a fifth grinding mill mid-year. A new roofing fillers plant, costing US$1,380,000 commenced production in January 1997 to serve a long term supply contract. The operations were affected by severe flooding at the main quarry in January 1996 resulting in exceptional costs of approximately US$100,000 which were absorbed in the year.

Global Stone (UK). Construction market conditions in the UK deteriorated further in 1996 and the company sold its subsidiary, The Tetbury Stone Company, in accordance with stated strategy. To effect this sale, Global Stone Corporation purchased the freehold rights to the property from which it now receives a royalty income. The loss on sale of $890,835 is included in the year, offset by the profit on the sale of surplus land in Tennessee. Extraction of the sand and gravel at Nea Farm, Somerley was delayed but construction of the conveyor system is now substantially complete and extraction should commence in January 1997.

Global Stone St. Clair. This operation was acquired in December 1995 and made a small contribution to the results for the year. The optimum return from this investment will be achieved upon completion of a phased program of plant development to maximize output and from the product distribution benefits of the rail connection re-established in December 1996. Some of the benefits of rationalization will flow through 1997 with the full impact expected in fiscal 1998.

Global Stone James River. Acquired in June 1996, this operation made very little contribution to the 1996 results. An extensive program of plant rationalization and upgrading is planned during 1997and 1998 following which a full contribution can be anticipated. The need for this program of improvement was identified in due diligence and reflected in the asset purchase price which equated only to the written down book value of the assets.

Selling and administration expenses

Selling and administration expenses totalled $13.595 million compared with $10.096 million in 1995. Most importantly, the selling and administration expenses as a percentage of net revenue were reduced to 11.0% this year from 11.6% in the previous year and a further improvement in 1997 is anticipated. The increased costs arose from**:** new acquisitions - $1.548 million, a full year contribution from Global Stone Detroit Lime and Global Stone PenRoc - $1.634 million, and an increase in ongoing costs of $317,000.

Cash flow and liquidity

The balance sheet was strengthened in the year by two significant events. In December 1995 the second and final tranche of our debenture facility was drawn down. Further Series A 10.625% Senior Secured Debentures were issued for cash receipts of $25,005,000. The principal value of these Debentures is $23,350,000 reflecting the lower market interest rates prevailing at the time of issue. On June 6, 1996 we completed the sale of 4,700,000 Common Shares at $5.35 per share. Gross cash receipts of $25,145,000 were released when the issue closed on June 6. An additional 50,000 Common Shares were issued at $3.00 per share upon the exercise of employee stock options. The total of shares outstanding at the end of the fiscal year was 29,133,571 and the Company's debt to debt plus equity ratio was 39%, in line with management's stated target of 40%. On October 18, 1996, Cominco converted its $3,000,000 debenture into 545,454 Common Shares at $5.50 per share.

Earnings before interest, tax and depreciation amounted to $27,934,000 or $1.09 per weighted average share outstanding, compared with $19,512,000 or $0.91 per share in 1995. A further $49,575,000 of cash was contributed from financing activities. These resources were fully utilized to fund acquisitions of $43,924,000 and capital asset investment of $21,864,000 of which approximately $4,583,000, representing 37% of the depreciation charge for the year *(1995 - $3,140,000 representing 39%)*, was for replacement of fixed and mobile plant and deferred stripping costs, with the balance invested in growth and cost saving projects. It is anticipated that cash flow in 1997 will continue to be reinvested in further growth projects and that the rate of replacement expenditure will be higher due to the accelerated overburden stripping at several operations.

Non-cash working capital (represented by accounts receivable, inventories and prepayments less accounts payable as detailed in the following schedule), increased by $6,117,000, in the year. Of this $1,640,000 was purchased as part of acquisitions, and $4,477,000 was a net change of working capital from operations. Of the $4,477,000 increase in net working capital from operations, $2,480,000 was related to operations owned for the entire year and $1,997,000 was related to operations acquired during the year.

Working capital movements

Cdn $000's	1996	1995	1994	1993
Accounts receivable	23,242	16,782	10,142	2,801
Inventories	16,187	11,241	5,832	613
Prepaid expenses	776	561	199	96
	40,205	28,584	16,173	3,510
Less current liabilities *(Note 1)*	(17,888)	(12,384)	(8,525)	(1,974)
Net working capital	22,317	16,200	7,648	1,536
Net cash	5,532	5,126	6,727	4,930
Working capital ratios:				
Working ratio	2.25	2.31	1.90	1.78
Quick ratio	1.61	1.77	1.98	3.92

Note 1: Current liabilities include income taxes due but exclude provisions for pension plan obligations which are treated as a separate item in the statement of changes in financial position.

Bank facilities and encumbrances

The Company has the following bank facilities available:-

(a) an operating facility of $2.5 million, repayable on demand;

(b) a revolving facility of $10 million, which can be drawn down in either Canadian dollars or U.S. dollars, repayable within one year, subject to 364-day extensions at the discretion of the bank, and;

(c) a revolving term facility of US$5.9 million, which can be drawn down in either Canadian dollars or U.S. dollars, with repayment terms through to 1998. This facility provides irrevocable letters of credit issued to the vendor of the St. Clair Lime Company, securing the deferred payments for the assets.

The outstanding balances at September 30, 1996, were: $2,500,000 *(1995 - $945,000)* under the operating facility and $4,081,000 (consisting of Cdn$3,060,000 plus US$750,000), under the revolving facility *(1995 - Cdn$750,000 plus US$750,000)*. The amount drawn in U.S. dollars bears interest at the bank's floating rate for U.S. dollar commercial loans plus 0.125%. The revolving term facility was fully utilized for irrevocable letters of credit totalling US$5.9 million at September 30, 1996, but the balance reduced to $4.8 million on December 31, 1996 following the first installment payment for St. Clair Lime Company.

Encumbrances. Security for the Company's bank loans and the Debentures is: the bank, in respect of loans outstanding under the revolving term facility, and the Debenture holders, ranking pari passu as between each other, share a fixed and floating first charge over all the assets of the Company, with the exception of inventories and accounts receivable where they have a second charge. The operating and revolving bank facilities are secured by the bank with a first charge over the inventories and accounts receivable of the Company and the bank has a second charge over all other assets.

Outlook

The Company maintained its high growth rate in 1996, principally through the acquisition of three new operations, and enters the 1997 fiscal year on a sound financial basis. Market demand for our products is again expected to grow although the rate of increase may be lower than recent years. Operating management is focused upon profit margin improvement at each location.

The Company anticipates continued growth from a combination of factors: (i) the three acquisitions made in 1996 will contribute for the full year, (ii) benefits will begin to accrue from recent plant investments particularly the second lime kiln at Global Stone Tenn Luttrell, (iii) continuing internal investment in cost saving and growth projects, and (iv) the pursuit of acquisition opportunities, although there can be no certainty of the outcome or that debt or equity financing will be available on acceptable terms if required.

Material risks and uncertainties

In addition to the information set out elsewhere in this Annual Information Form, the following factors should be considered carefully in evaluating the Company and its business:

1. The Company's markets are cyclical, and sales of lime, chemical limestone and construction aggregates may be affected by these business cycles.
2. The markets for the Company's products are competitive and alternate suppliers exist for its products.
3. Government regulations, especially those relating to environmental protection, may change, and any such change may affect the Company's business, financial condition and prospects.
4. The Company's earnings are affected by fluctuations in currency exchange and rates.
5. The Company's rate of growth will depend upon the rate of internal investment and the availability of further acquisition prospects at reasonable cost, and suitable financing, neither of which can be assured.
6. The dependence of the Company, as a whole, upon Stelco has been greatly reduced by the Company's continuing growth into different market sectors and geographic areas (see "ITEM 3 - THE COMPANY - *Customers")*. However, Global Stone Ingersoll depends upon Stelco for the largest proportion of its sales and any significant reduction in demand for its products by Stelco will have an adverse effect on the profitability of Global Stone Ingersoll.

ITEM 6 - MARKET FOR SECURITIES

The Common Shares of the Company are listed on The Toronto Stock Exchange, and trade under the symbol "GLS". The Company's Registrar and Transfer Agent is Montreal Trust Company of Canada.

ITEM 7 - DIRECTORS AND OFFICERS

The directors and officers of the Company and their municipalities of residence and principal occupations are set forth below.

Name and Municipality of Residence	Principal Occupation(s) in the Past Five Years	Director Since / Term Expires
ROBERT R. STONE [1] [3] West Vancouver, British Columbia	Chairman and director of the Company and Director, Vice President, Finance and Chief Financial Officer of Cominco Ltd.	1992 / 1997
DAVID F. SINGLETON [1] [3] Bath, England	President, Chief Executive Officer and director of the Company. February 1991 to November 1994, Joint Chairman and Managing Director of Federated Aggregates Plc. Prior to February 1991, Managing Director of ARC Aggregates, a subsidiary of Consolidated Goldfields Plc.	1992 / 1997
HERBERT G. A. WILSON [1] Oakville, Ontario	Executive Vice President, Chief Operating Officer and director of the Company. From February 1991 to November 1994, Director of Federated Aggregates. Prior to February 1991, Managing Director of ARC Pipes, a subsidiary of Consolidated Goldfields Plc.	1992 / 1997
LEON GETZ, Q.C [3] Vancouver, British Columbia	Director of the Company and Partner, Getz Karby (Barristers and Solicitors). Company Secretary from 1992 to July 1996. Prior to February 1993, Partner, Freeman & Company (Barristers and Solicitors).	1992 / 1997
OWEN E. OWENS [2] Vancouver, British Columbia	Director of the Company. Retired in December 1993 as Consulting Geologist, Cominco, Ltd. Prior to September 1992, Vice President, Exploration of Cominco, Ltd.	1992 / 1997
ANTONY P. HICHENS [2] London, England	Director of the Company. Chairman of Caradon Plc, since 1990.	1994 / 1997
W. DARCY McKEOUGH [2] Chatham, Ontario	Director of the Company. Chairman of McKeough Investments Ltd., since 1991.	1995 / 1997
MICHAEL A. NIBLETT Oakville, Ontario	Vice President and Chief Financial Officer of the Company since January, 1992 and Financial Director of Federated Aggregates since December, 1990. From September, 1990 to December, 1990, independent financial consultant. Prior to September, 1990, Financial Director of ARC Southern.	n.a.
WILLIAM J. BUGYRA Toronto, Ontario	Secretary of the Company since July 1996. General Counsel of the Company since October 1995. Prior to October 1995, Solicitor in the City of Toronto.	n.a.

(1) Members of the Executive Committee.
(2) Members of the Audit Committee.
(3) Members of the Compensation Committee.

Each director is elected to hold office until the next Annual General Meeting of Company or until his successor is elected or appointed.

As of January 21, 1997, the directors and senior officers of the Company, as a group, beneficially owned, directly or indirectly, approximately 1.2% of the outstanding Common Shares of the Company.

ITEM 8 - ADDITIONAL INFORMATION

When the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities, a copy of the following documents may be obtained from the Secretary, Global Stone Corporation, Suite 306, 251 North Service Road West, Oakville, Ontario L6M 3E7, Canada. Telephone: (905) - 815 - 1050.

(i) the Company's Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form;

(ii) one copy of the audited financial statements of the Company for the year ended September 30, 1996, together with the accompanying report of the auditors and one copy of any interim financial statements of the Company subsequent to such financial statements;

(iii) one copy of the Company's Information Circular; and

(iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus other than those referred to above.

At any other time, a copy of any of the documents referred to in (i), (ii), (iii) above may be obtained upon request from the Secretary, provided that the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase the Company's securities, and a statement as to the interest of insiders in material transactions is contained in the Company's Information Circular dated January 21, 1997 and additional financial information relating to the Company is contained in the audited financial consolidated financial statements of the Company for the year ended September 30, 1996.

Global Stone Corporation
January 31, 1997.