AECON GROUP INC. FIRST QUARTER REPORT 2005

Three months ended March 31,2005

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AECON

Dear Fellow Shareholders,

Although it is always difficult to draw concrete conclusions based on results from one quarter, indications are that the changes we have introduced at Aecon over the last year and the strategic direction we set at the close of 2004 are having their intended effect. Key signs of improvement in the first quarter suggest that Aecon is on track to once again report a profit in 2005.

As many of you know, much of Aecon's business is seasonal in nature and the first quarter of the year is traditionally the slowest period of the year. Historically, Aecon has reported losses early in the year, followed by profits in the second half of the year when construction-related activities ramp up, and I expect this year to follow the same pattern.

A number of anomalies such as discontinued operations and changes in the way we are accounting for income taxes, as well as an 'extraordinary gain' this year and a large claim settlement last year, make direct comparisons between the first quarters of this year and last year a challenge. Nonetheless, I believe that the deeper one looks, the clearer it is that Aecon is off to a promising start in 2005.

Losses before income taxes and discontinued operations in the first quarter of 2005 amounted to $6.9 million. This represents a $3.5 million improvement over the $10.4 million pre-tax loss recorded before discontinued operations in the same quarter of 2004.

In the first quarter of 2005, Aecon's net loss amounted to $8.4 million. However, had our accounting for income taxes remained the same in 2005 as in previous years (and a valuation allowance against tax assets not been taken) the net loss in the first quarter of 2005 would have been $3.9 million. This compares to a $6.9 million loss before discontinued operations recorded in the first quarter last year.

Including discontinued operations, the net loss for the first quarter last year was $2.4 million - reflecting a pre-tax $7.3 million claim settlement that was included within discontinued operations.

Aecon's backlog at March 31, 2005 reached $590 million, an increase of $25 million from the beginning of the year and $12 million from the same time last year. The year over year increase was despite a decline in major project backlog as construction of Aecon's major projects in India and Israel reached completion. This depletion of Aecon's major projects backlog is expected to be reversed when the anticipated financial close of the Quito Airport project adds approximately $250 million to Aecon's backlog.

Also in the first quarter, Aecon raised $32.5 million through the private placement of an unsecured convertible debenture, the proceeds of which were used to partially replace Aecon's traditional bank-financed operating facility.

This debenture, combined with the significant financing initiatives completed last year, has served to considerably strengthen Aecon's balance sheet. Our balance sheet is now stronger than it has been in years, and likely one of the strongest in the industry in Canada.

In addition, a number of important developments are taking place within each of Aecon's operating segments:

Infrastructure

Tolling and highway operations continue to function well on the Cross Israel Highway and traffic volumes continue to be in the range anticipated with a current average of 65,000 cars per day. Following the end of the quarter, results of an updated traffic forecast were received from Wilbur Smith Associates ("WSA"). The study tends to confirm the general traffic patterns forecast in the last WSA study but suggests that traffic may be a little higher in the early years and lower in the later years of the concession than had previously been forecast. With the updated traffic forecast taken into account, the project's financial model continues to forecast that the first cash disbursement to Aecon and the other shareholders in the highway concession will be in the second half of 2009 and that the after tax internal rate of return of the project will be in the 14% range, assuming full exercise of the State and lender options.

And Aecon's next landmark infrastructure development project is nearing financial close. Signing of the required financing documents for the Quito Airport project, previously expected early in the second quarter, is now anticipated to occur late in the quarter. With construction likely to begin in the second half of 2005, Aecon does not expect to report construction profit from the project this year but achieving financial close and commencing the construction phase of the project will be a major milestone for Aecon.

And here at home, operating results in this segment are moving in the right direction. Roadbuilding and utilities operations in Ontario have shown improvement over the first quarter last year and are expected to have a stronger year overall than in 2004. The recent renewals of our strategic relationships with Union Gas and Expertech in the utilities sector are of particular note.

In addition, an improvement is expected this year within Aecon's Quebec civil operations. Notwithstanding these improvements, the challenges experienced in this sector last year have not yet been entirely overcome and much remains to be done before we can forecast ongoing profits in this market.

Aecon's heavy civil construction operations are expected to show a small loss in the final three quarters of 2005 as volume reductions flowing from completion of the Cross Israel Highway and the Nathpa Jhakri hydro-electric project in India have not yet been fully replaced. Central to our plans for this sector is achieving financial close on the Quito airport project.

Buildings

The Buildings segment is showing signs of a turnaround and has reported its first quarterly operating profit since 2003 despite a decrease in revenue compared to the first quarter of last year.

Results in the first quarter were significantly better than last year, with an operating profit of $0.2 million in the quarter compared to an operating loss of $1.7 million in the same quarter last year. Results from the segment's Ottawa operations improved in the quarter as compared to the first quarter of 2004, coming close to breakeven, while the Toronto and Central Ontario region, which accounts for more than 50% of the Buildings revenues, improved from a small loss in the first quarter of 2004 to a small profit in 2005.

While the changes implemented in 2004 are still in the early stages, management continues to expect a substantial turnaround in results from the Buildings segment in 2005, including a return to profitability this year.

Industrial

Although Aecon's Industrial segment is off to a slower start in 2005 than was the case last year, this trend is expected to reverse over the balance of the year and result in a significant improvement in profit contribution by year end. This improvement is expected to be led by the Western Operations business unit where considerable new work has been committed by our customers in Alberta, notably in work related to oil sands projects in northern Alberta. These new projects are expected to add significantly to both segment revenues and operating income over the balance of the year.

Increased volumes at Innovative Steam Technologies ("IST") in the first quarter of 2005 came entirely from working-off backlog that had been accumulated in the first three quarters of 2004. The lack of new sales since that time has been the result of an industry wide slowdown in sales activity that is quickly depleting the IST backlog of work. The sales slowdown within the broader industry is believed to be temporary and not indicative of future prospects. While ensuring that the IST year over year improvement continues throughout 2005 will require some early new sales, prospects appear encouraging.

As I stated at the outset, the results achieved in the first quarter of 2005 and the key signs we have with respect to the balance of the year indicate that Aecon is turning the corner. Taken together, I believe they serve to reinforce my expectations for significant bottom line improvements and a return to profitability in 2005.

On behalf of the Board of Directors,

John M. Beck
Chairman and CEO
May 11, 2005

Management's Discussion and Analysis of operating results and financial condition ("MD&A")

The following discussion and analysis of the consolidated results of operations and financial condition of Aecon Group Inc. ("Aecon") should be read in conjunction with the Company's Interim Consolidated Financial Statements and Notes (which have not been reviewed by the Company's external auditors) and in conjunction with the Company's annual MD&A for 2004. This interim MD&A has been prepared as of May 11, 2005. Additional information on Aecon is available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and includes the Company's Annual Information Form and other security filings.

RESULTS OF OPERATIONS BEFORE DISCONTINUED OPERATIONS

The following commentary, unless otherwise indicated, discusses the operating results of operations before discontinued operations. Certain comparative figures have been reclassified, to be consistent with the presentation of discontinued operations.

Introduction

Aecon operates in three principal segments within the construction industry – Infrastructure, Buildings and Industrial.

The construction industry in Canada is seasonal in nature due to weather conditions, with less work performed in the winter and early spring months. Accordingly, Aecon experiences a seasonal pattern in its operating results with the first quarter of the year typically reflecting lower revenues and profits than the other three quarters. Consequently, results in any one quarter are not indicative of results in any other quarter or for the year as a whole.

Consolidated

Financial Highlights

$ millions		2005		2004	% Change
Revenues	$	172.9	$	189.0	(8.5)%
Operating loss*		(9.3)		(9.4)	1.6%
Extraordinary gain before income taxes		4.1		-	
Loss before interest and income taxes		(5.2)		(9.4)	45.4%
Interest expense, net		(1.7)		(1.0)	(86.3)%
Loss before income taxes		(6.9)		(10.4)	33.5%
Return on revenue		(5.4)%		(5.0)%	(8.0)%
Backlog – March 31		590.0		577.9	2.1%

*Operating loss represents the net loss from operations before extraordinary items and before interest, income taxes and discontinued operations. All other amounts reported in the above table exclude the results of discontinued operations.

Revenues from continuing operations for the three months ended March 31, 2005 amounted to $172.9 million, representing a decrease of $16.1 million over the same period last year. Revenues declined in each of the Buildings and Industrial segments by $6.4 million and $11.8 million respectively, while Infrastructure revenues were up $2.6 million over last year.

Operating margins (revenues less costs and expenses) as a percentage of revenues declined from 3.3% in the first quarter of 2004 to 3.1% in the current quarter, due principally to a significant decline in profitability in the Industrial segment which was only party offset by a lesser, but still significant, improvement in profitability from the Buildings segment. Foreign exchange gains and losses are included in operating costs, thus affecting operating margins, and also in marketing, general and administrative (MG&A) expenses. The year-over-year impact of foreign exchange on operating margins was negative $0.8 million (a gain of $0.2 million in 2005 compared to a gain of $1.0 million in 2004) while MG&A was negatively impacted by $0.3 million (a loss of $0.1 million in 2005 compared to a gain of $0.2 million in 2004). Exclusive of foreign exchange, operating margins were 3.0% of revenue in 2005, compared to 2.8% in 2004. Results for each of the three principal operating segments are discussed separately under Reporting Segments.

Marketing, general and administrative expenses amounted to $12.8 million in the first quarter of 2005, which was $1.1 million lower than the same quarter last year. Foreign exchange, as previously noted, had a negative year-over-year impact of $0.3 million, although this was offset by the positive year-over-year impact of relocation costs of $2.6 million incurred in 2004 in relation to the consolidation of Aecon's offices in the Toronto area. Exclusive of these two items, MG&A was $1.9 million higher than 2004. Aecon incurred $0.7 million in bid costs during the current quarter compared to a total of $0.3 million during the first quarter last year. Higher salaries, severances, and the impact of the inclusion of the MG&A of the Q2 2004 acquisition in the Buildings segment that did not impact the first quarter of 2004, represent the other major reasons for the increase in MG&A.

Depreciation and amortization of $1.8 million in the first quarter was essentially unchanged from the same quarter last year.

Net interest expense of $1.7 million in the first quarter of 2005 was $0.8 million higher than the corresponding quarter last year. Interest expense on convertible debt was $0.9 million higher because of two new issues of convertible debentures, $30.0 million in November 2004 and $32.5 million in March 2005. The first quarter of 2004 included $0.2 million of interest income from funds on deposit within the Cross Israel project, whereas there was no interest income related to the Cross Israel project in the first quarter of 2005. Interest expense on the Company's bank loans and revolving term loan facility of $0.1 million was lower in the first quarter of 2005 by $0.1 million compared to the same quarter last year due to lower borrowings.

The loss before income taxes and discontinued operations amounted to $6.9 million in 2005, compared to a loss of $10.4 million in 2004. Buildings operations improved substantially over 2004, going from an operating loss of $1.7 million in 2004 to an operating profit of $0.2 million in 2005. Excluding the beneficial impact of a $4.1 million extraordinary gain (see below), the Infrastructure segment had an operating loss of $4.6 million compared to an operating loss of $6.0 million in 2004.

As discussed further below, results from the Industrial segment were significantly below last year when the segment earned an operating profit of $3.4 million compared to an operating loss of $2.4 million in the first quarter of 2005. Corporate expenses were lower than last year due principally to one-time relocation costs incurred in 2004.

Aecon's effective income tax recovery rate for the first quarter 2005 was 7.5% (2004 – 32.9%) on pre-tax losses (before extraordinary items and discontinued operations) of $11,004 (2004 - $10,352). These rates compare to the combined Canadian federal and provincial (Ontario) statutory income tax rate of 36.1% in 2005 and 2004. The unusually low recovery rate in the first quarter 2005 primarily results from a valuation allowance against current year future tax assets, non-deductible expenses for tax purposes, and Large Corporations tax.

Loss before income taxes and extraordinary items	$	11,004
Statutory income tax rate		36.1%
Expected income tax recovery		(3,972)
Effect on income tax of:		
Valuation allowance against current year's future tax assets		4,533
Non-deductible expenses		108
Large corporations tax		113
Other		48
Income tax expense	$	830
Effective income tax rate		7.5%

In the fourth quarter 2004, Aecon provided a valuation allowance against the net future tax assets that had been recorded at December 31, 2003 and against future tax assets that would otherwise have been recorded in 2004 with respect to its Canadian operations. Consistent with this accounting treatment, on the basis that the Company has incurred further losses in its Canadian operations in the first quarter 2005, a $4.5 million valuation allowance has been provided against the net future tax assets that would otherwise have been recorded in the first quarter 2005. Should Aecon report income from its Canadian operations during the remainder of 2005, any provision for tax on this income will be reduced by unrecognized tax losses. .

Backlog at March 31, 2005 was $590.0 million, or $25.0 million higher than the beginning of the year and $12.1 million higher than the same date last year. Major project backlog, representing the two large international projects in India and Israel, was $10.8 million less than last year, as these two projects are now basically complete. Core backlog, which includes all work other than these two projects, was up $22.7 million since the start of the year and was $22.9 million greater than March 31, 2004. The financial close of the Quito Airport project in Ecuador is projected to add approximately $250 million to major project backlog. New contract awards of $197.9 million were booked in the quarter, which compares with $220.4 million in 2004, with the majority seen within the Buildings segment.

DISCONTINUED OPERATIONS

In 2004, Aecon sold its 38.75% interest in Canatom NPM Inc., which had been a part of the Industrial segment. Also in 2004, Aecon sold its Footage Tools division and its one-third interest in a small joint venture, both of which were part of the Infrastructure segment. Income from these discontinued operations during the first quarter of 2004 amounted to $7.2 million before income taxes and $4.6 million after income taxes.

Reporting segments

Infrastructure

Financial Highlights

$ millions	2005	2004	% Change
Revenues	$ 57.6	$ 55.0	4.8%
Segment operating loss	(4.6)	(6.0)	23.2%
Extraordinary gain before taxes	4.1	-	
Loss before interest and income taxes	(0.5)	(6.0)	92.0%
Return on revenue	(8.0)%	(10.9)%	26.6%
Backlog – March 31	146.6	201.8	(27.4)%

Overall, revenues from the Infrastructure segment increased in the first quarter as revenue gains in some operations were offset by losses in others.

Revenues of $12.9 million from roadbuilding operations were $4.4 million higher than last year, reflecting a much higher volume of activity than is normally experienced during the winter. Also, revenues in 2004 were negatively impacted by an estimated $2.5 million shortfall as a result of the delay and expected cancellation of a project to construct a fixed-link bridge to the Toronto Island Airport.

Utilities operations reported a $5.2 million or 30.3% increase in revenues, going from $17.2 million in the first quarter of 2004 to $22.4 million in the same quarter this year. Communications' work, primarily cable installation, and lighting installation work at Toronto airport were the principal contributors to the revenue increase. Also, 2004 revenues were reduced by a provision of $1 million against a receivable on a pipeline project completed in 2002. Revenues from the segment's Quebec operations increased $4.1 million as increased revenues from a hydro-electric power house project in Eastmain exceeded the drop in revenues from a substantially completed hydro-electric dam project in Toulnustouc. Other heavy civil operations posted a $1.9 million increase in revenues over last year.

The completion of the Cross Israel Highway in Israel and the Nathpa Jhakri hydro-electric project in India accounted for a $13.0 million reduction in revenues compared to 2004. Combined, these two projects generated revenues of $1.8 million in 2005 compared to $14.8 million during the first quarter of last year.

The loss before interest and income taxes from the Infrastructure segment was $0.5 million in the quarter, which was a $5.5 million improvement over the loss of $6.0 million incurred in 2004. A significant component of the improvement related to an extraordinary gain resulting from the acquisition by Aecon of its partner's share in a joint venture whose interests include a one-third share in the joint venture that constructed the Cross Israel Highway. Since the value of the assets acquired exceeded the purchase price paid, Aecon recorded an extraordinary gain of $4.1 million before income taxes and $3.4 million after income taxes. The gain, in accordance with GAAP, has been classified on the consolidated statements of operations as an extraordinary item (see note 12 to the Company's interim consolidated financial statements)

Utilities operations produced a $0.6 million improvement in operating results, generating a loss of $1.3 million in 2005 compared to a loss of $1.9 million last year. The improvement reflects mostly the increase in revenues in the quarter. Roadbuilding operations incurred an operating loss of $2.8 million in 2005, compared to a loss of $3.1 million in the first quarter of 2004. Losses within the first quarter for both the roadbuilding and utilities operations are expected and consistent with historical patterns, given that activity levels are lower in this period due to weather impacts and, as such, not all administrative and certain other costs are covered during this period.

The segment's operations in Quebec generated an operating profit of $0.3 million in 2005, which represents a $2.6 million improvement over the loss of $2.3 million incurred in the first quarter of 2004. The improvement was partly due to losses of $1.2 million recorded in 2004 on a substantially completed highway construction project in Quebec. There was also a $0.8 million profit adjustment in the first quarter of 2005 resulting from the close out of a project that was completed in 2003 and a $0.4 million contribution from a claim settlement in the quarter. No profits were recorded in the quarter on the Company's 50% interest in the Eastmain project. This project has incurred significant cost overruns, that if unresolved, would currently project Aecon to incur a loss of upwards of $10 million, because of delays caused by the client and changes to the original contract scope. Management believes that it will be successful in recovering these cost overruns from the client and will ultimately report a profit on the project. However, because of the magnitude of the cost overruns and the considerable amount of time it will take to negotiate their recovery with the client, management considered it prudent, pending the outcome of these negotiations, to reduce its profit estimate from this project to $0, which was done in the fourth quarter of 2004.

Excluding the impact of the extraordinary gain of $4.1 million noted above, operating profit from the Cross Israel Highway project in Israel was $0.4 million higher than 2004, notwithstanding the completion of construction in 2004, mostly because of a reduction in estimated costs upon completion of this project. The Nathpa Jhakri hydro-electric project in India declined by $1.1 million in 2005, mostly because of the absence of exchange gains recorded in 2004 but also because of the completion of this project. Foreign exchange gains of $0.7 million were recorded in 2004 related to the Nathpa Jhakri project whereas no foreign exchange gains were recorded in 2005. Other operations within the Infrastructure segment declined by $1.4 million in the year, with the largest year-over-year impact being $0.4 million because of the completion in 2004 of a tunnel project in Edmonton. Higher bidding costs, severances and foreign exchange accounted for most of the balance.

In April 2005, the joint venture involved in the construction of the Nathpa Jhakri Project in India, in which Aecon has a 45% interest, was advised by the owner, Satluj Jal Vidyut Nigam Ltd. ("SJVN") (formerly Nathpa Jhakri Power Corporation Limited) of their intention to levy liquidated damages against the joint venture in the amount of $31.9 million for not completing the contract on time. However, since the delay in the completion of the project was caused by numerous items outside of the joint venture's control and contractual responsibility, including, among many other things, a catastrophic flood in 2002, the joint venture and the project's independent dispute resolution board, believe that these liquidated damages are unwarranted. Moreover, the joint venture has already submitted claims of approximately $91.9 million (of which $10 million, at current exchange rates, had been received by the joint venture during 1998 and is included in the joint venture's profit estimate for this project) against SJVN, the most significant of which is to cover the joint venture's costs of delays related to these same matters. As such, no provision has been made for the liquidated damages, nor, in accordance with Aecon's accounting policy, which is to recognize revenue from claims only when resolved, has any amount been recognized for claims.

Backlog of $146.6 million at the end of March 2005 declined by $55.2 million from the same time last year due to the reduction in backlog of $10.8 million on the projects in Israel and India, and the reduction of $54.8 million on the two hydro-electric power projects in Quebec. Backlog in other operations, primarily roadbuilding, grew by $10.4 million. New contract awards of $50.6 million were booked in 2005, which compares with $37.9 million in 2004.

Buildings

Financial Highlights

$ millions	2005	2004	% Change
Revenues	$ 77.2	$ 83.6	(7.7)%
Segment operating profit (loss)	0.2	(1.7)	n/a
Return on revenue	0.3%	(2.0)%	n/a
Backlog – March 31	372.7	300.2	24.1%

Revenues in the Buildings segment decreased by $6.4 million from the same quarter in 2004. The volume of work performed in the United States through Aecon's Seattle office was $10.3 million lower than last year. This decline was partly offset by a $7.1 million revenue increase from Aecon's Montreal operations, principally as a result of the acquisition of Cegerco CCI Inc. (Cegerco) in the second quarter of 2004. Revenues from the balance of the Buildings' operations were down $3.2 million

Despite lower revenues, results in the first quarter were better than last year. An operating profit of $0.2 million was realized in the quarter compared to an operating loss of $1.7 million in 2004. In the first quarter last year Aecon incurred a loss of $1.5 million on a college renovation project due to cost overruns. Also in the first quarter last year, Aecon incurred losses of $0.5 million related to the acquisition of Westeinde Construction Ltd. (Westeinde) in Ottawa, as jobs acquired as part of the acquisition were less profitable than expected and new work failed to materialize as expected. Results from the segment's Ottawa operations in 2005 were close to breakeven. Also, in the Toronto and central Ontario region, which accounts for more than 50% of Buildings' revenues, results went from

a small loss in 2004 to a small profit in 2005.

Backlog of $372.7 million at the end of March 2005 was $72.5 million or 24.1% higher than the end of March 2004, with the Toronto, and Montreal markets showing the most increase. Toronto backlog was $69.8 million ahead of last year due largely to the award in September 2004 of the Terminal 3 expansion project at Pearson Airport and the award in October 2004 of the $81.5 million Ferrero contract for a chocolate factory in Brantford. At the end of March 2005, backlog related to these two projects was $134 million. Montreal backlog was ahead of last year by $23.0 million because of the Cegerco acquisition. A net backlog reduction of $20.3 million occurred in all other operations, although most of the decrease was attributable to Seattle where a $38.7 million contract for a new casino was awarded in March 2004, with no corresponding award during the first quarter of 2005. In total, new contract awards of $104.4 million were recorded in the first quarter of 2005, which compares with $141.0 million in 2004.

Industrial

Financial Highlights

$ millions	2005	2004	% Change
Revenues	$ 39.0	$ 50.8	(23.2)%
Segment operating (loss) profit	(2.4)	3.4	n/a
Return on revenue	(6.1)%	6.6%	n/a
Backlog – March 31	70.7	75.9	(6.8)%

Revenues in the Industrial segment of $39.0 million were $11.8 million or 23.2% less than 2004. Revenues at Innovative Steam Technologies (IST), which sells and licenses the technology for once-through steam generators (OTSG), were up from $5.1 million in 2004 to $7.4 million in 2005. During the first quarter, IST was processing work on four contracts whereas in 2004 it was working on two contracts. Although IST is actively pursuing several promising contracts, no new contracts (either to IST and, to the best of the Company's knowledge, its competitors) have been awarded in the past six months and IST entered the second quarter of 2005 with $12.1 million in backlog compared to $23.6 million at the same time last year.

Other sectors within the Industrial segment had lower revenues than 2004. Revenues from Projects and Automotive operations in eastern Canada were down $7.4 million or 30.6% from the prior year. In the first quarter of 2004 Projects volumes were extraordinarily high as one project in particular, a $31 million power contract in New Brunswick, generated revenues of $7.6 million or approximately 31% of this sector's revenues. The absence of a similar type project in 2005 brought revenue levels in the first quarter of 2005 back to more normal levels. Revenues from our Western Operations unit in Alberta were down by $9.8 million or approximately 54.3% primarily due to a very large module assembly contract in 2004 for Syncrude, which was not replaced with similar volume in 2005 in time to have a significant impact on the first quarter results. Considerable new work has been committed by our customers in Alberta to our Western Operations unit during the first quarter and the associated activity levels have been ramping up significantly. Notably, Aecon was awarded major demolition and refurbishment work for the significant fire that occurred on January 4, 2005 at the Suncor oil sands facility near Fort McMurray, Alberta. In addition considerable additional work has been

committed to Aecon from Suncor based on a long-term supplier of choice agreement. The work mix for our Western Operations is comprised of pipe fabrication, module assembly and field construction. Each has different contract margins. The significant increase in work volumes in all three categories will increase revenues and contract margins in future quarters. Pipe fabrication revenues in Ontario and Eastern Canada were higher in the first quarter of ’05 by $3 million as compared to the first quarter of 2004.

Operating results of the Industrial segment – a loss of $2.4 million in the first quarter of 2005 compared to a profit of $3.4 million during the same period last year - were disappointing as all sectors were significantly below last year’s results. Despite the increase in revenues from IST, operating margin percentages were almost half as a result of a change in the mix of work. Projects and Automotive activities in eastern Canada broke even in 2005 compared to an operating profit of $2.3 million in 2004. As noted previously, volumes in 2004 were boosted by a large power project in New Brunswick. Operating profit on this project in the first quarter of last year and unusually high margins earned on three other large projects contributed to the very strong performance in 2004. This work was only partially replaced in 2005, and at more normal margins. The Industrial Division had expected to be participating in some new public and private sector related power projects in the first quarter of 2005, but all of the targeted projects were delayed. Similar to the impact it had on revenues, profit from the Western Operations unit in Alberta during the first quarter of 2004 were significantly bolstered by the large Syncrude project noted above. Margin on this project alone amounted to $3.0 million in the first quarter of 2004 and the total profit in Western Canada in the first quarter of 2004 was a net $2.0 million. In the first quarter of 2005, there was a loss of $0.7 million from activities in Western Canada. The $2.7 million decline in profits from the Western Operations unit was partly offset by a $0.7 million improvement in results from the pipe fabrication activities in Ontario. However, operations through a pipe fabrication joint venture in Atlantic Canada, which commenced operations in February 2004, reported a $0.2 million loss in the current quarter.

In August 2003, IST signed a licensing agreement with Lurgi Lentjes Standardkessel Group of Germany for the exclusive use of IST's Once Through Steam Generator (OTSG) technology. Under the agreement IST was to supply fin tubes for OTSG sales covered under the agreement and was to receive royalty payments based on sales. However, because no sales under the agreement have been made and because there was a change in ownership of the licensee, IST exercised its right to terminate the license agreement in April, 2005. As a result of the termination, IST is expected to record a pre-tax gain of $0.4 million, representing the unamortized balance of an upfront fee it received from the licensee when the license agreement was originally signed.

Backlog at March 31 of $70.7 million was $5.2 million less than last year. Projects and Automotive backlog was down $24.3 million, principally as a result of the high levels last year from four large projects that were in progress at the end of March 2004, while pipe fabrication, the Western Operations and IST backlog were up by $19.1 million, with most of the increase occurring in Western Canada. New contract awards of $41.8 million were booked in the first quarter of 2005, which is virtually unchanged from 2004. It is notable that significant commitments made to Aecon based on partnering agreements do not necessarily show up as firm backlog for external reporting purposes primarily due to the degree of uncertainty regarding the exact amount of work than can be expected. The effective backlog is therefore greater than what is reported to the extent that the expected volume of committed work is significant. This is certainly the case in the Western Operations and to a lesser

extent in Eastern Canada.

Corporate and Other

Net corporate expenses amounted to $2.5 million in the quarter, which compares to $5.1 million last year. Included in corporate expenses in 2004 was a $2.6 million lease termination payment related to the relocation and consolidation of Aecon's offices in the Toronto area. Other unusual items in the two years resulted in a net decrease in corporate expenses of $0.4 million. Exclusive of the above noted items, general corporate overheads were up $0.4 million from 2004, with salary and pension costs accounting for most of the increase.

Discontinued Operations

See note 7 of the Company's interim consolidated financial statements

Quarterly Financial Data

The reader is referred to the Company's 2004 Management Discussion and Analysis for an analysis of the results of the eight quarters that ended on December 31, 2004.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at March 31, 2005 totaled $43.7 million, which compares with $50.1 million at the end of last year. Of these amounts, $18.9 million and $19.2 million, respectively, were on deposit in joint venture and affiliate bank accounts, which Aecon cannot access directly.

Cash used in operating activities, because of the operating losses, amounted to $9.8 million in the quarter, which compares with cash used in the same quarter last year of $10.4 million, before changes in non-cash balances relating to operations. Changes in other balances, which represent operating working capital items, resulted in an increase in cash of $1.0 million in 2005 compared to an increase of $8.6 million in 2004. Increases or decreases in individual working capital components are set out in note 5 to the consolidated financial statements.

Investing activities in the first quarter resulted in a use of cash of $3.8 million (2004 - $10.3 million). The major use of cash was $4.3 million to increase Aecon's investment in Derech Eretz Highways (1997) Ltd, the concessionaire of the Cross Israel Highway, from 22.2% to 25%. This investment, which totals $41.3 million at March 31, 2005, is shown on the consolidated balance sheet as a Long-Term Investment.

The other major source of cash was $1.9 million which arose as a result of the acquisition by Aecon of its partner's share in the joint venture that holds a 33.3% interest in the construction joint venture which constructed the Cross Israel Highway. Since the $3.4 million cash acquired as part of this transaction exceeded the cash purchase price paid of $1.5 million, Aecon's overall cash position improved by $1.9 million.

Cash generated from financing activities amounted to $6.2 million in the first quarter of 2005, compared to $9.4 million in the first quarter last year. In 2004, cash was generated mainly through the issuance of capital stock, whereas this year the principal source of cash from financing activities was $31.0 million from the net proceeds from the issuance of convertible debentures. The principal amount of the debenture was $32.5 million. For accounting purposes, the conversion rights were assigned a value of $2.2 million, which is included in shareholders' equity and $30.3 million has been assigned to the debt component of the debenture. Issuances of long-term debt amounted to $23.0 million in the year and repayments totaled $45.6 million, resulting in a net cash outflow of $22.6 million. Gross long-term debt issuances and repayments were affected by a series of draw-downs and repayments under the revolving term loan facility described in note 9(a) to the Company's 2004 consolidated financial statements.

At March 31, 2005 long-term debt and convertible debentures, including the current portion, totaled $88.7 million, compared to $80.5 million at the end of 2004. Borrowings under the revolving term loan, which amounted to $21.9 million at December 31, 2004, were nil at March 31, 2005.

Cash used to reduce bank borrowings amounted to $3.2 million in the quarter. At March 31, 2005 there were no direct borrowings under the company's bank credit facilities. Utilization, which amounted to $7.9 million, was in support of outstanding letters of credit. Bank indebtedness of $8.7 million at the end of the current quarter includes $8.5 million from Aecon's 45% share of funds borrowed within the Nathpa Jhakri hydro-electric project joint venture in India, and a small tender loan of $0.2 million.

Interest bearing debt amounted to $97.4 million at the end of March 2005, compared to $92.4 million at the end of last year, the composition of which is as follows ($ millions):

	Mar. 31, 2005	Dec. 31, 2004
Bank indebtedness	$ 8.7	$ 11.9
Current portion of long-term debt	4.7	4.5
Convertible debenture - current	7.6	-
Long-term debt	17.9	40.4
Convertible debenture – long term	58.5	35.6
Total	$ 97.4	$ 92.4

Aecon has a revolving term loan to fund working capital and operating requirements. The revolving term facility has a remaining maturity of 13 years and an annuity style amortization schedule. The amount of the revolving term loan was established by reference to the appraised value of certain real estate and aggregate reserve assets, which serve as primary collateral for the loan. On the seventh anniversary, which is five years hence, the lender can reduce the committed facility to restore the agreed ratio between the then available committed facility and the then appraised value of the collateral assets, and can request that a repayment be made if the then total outstanding advances exceed the reduced committed facility. The revolving term loan provides Aecon with a very flexible and stable source of operating funding.

In March 2005, an agreement with the banking group was negotiated to shorten the maturity date of the current bank facility from June 4, 2005 to April 30, 2005, and to reduce the available limit under

the facility from $35 million to $18 million.

Concurrently, Aecon was exploring alternative sources of capital to finance its working capital requirements in 2005, ultimately leading to completion of a $32.5 million convertible debenture financing, which was completed on March 17, 2005. The convertible debentures mature on March 17, 2010, are unsecured and subordinated, have no financial covenants, and accrue interest at the rate of 8.25% per annum payable on a semi-annual basis. At the holder's option, the convertible debentures may be converted into common shares at any time up to the maturity date at a conversion price of $7.60 for each common share, subject to adjustment in certain circumstances.

The convertible debentures are not redeemable before March 18, 2008. From March 18, 2008 through the maturity date the Company may, at its option, redeem the convertible debentures, in whole or in part, at par plus accrued and unpaid interest provided that the weighted average closing price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price.

Subject to specified conditions, the Company will have the right to repay the outstanding principal amount of the convertible debentures, on maturity or redemption, through the issuance of common shares of the Company. The Company also has the option to satisfy its obligation to pay interest through the issuance and sale of additional common shares of the Company on a private placement basis. Additionally, the Company will have the option, subject to prior agreement of the holders, to settle its obligations on conversion by way of a cash payment of equal value.

As a result of the recent convertible debenture financings, Aecon's liquidity position is very strong, and is expected to be sufficient to finance its expected operations and working capital requirements for the foreseeable future – with only a very limited need for bank support. While these convertible debenture financings are more expensive than the previous senior bank facilities, they provide a committed source of long-term capital that eliminates refinancing risk through their five-year term, are not restrictive from an operational perspective and will not consume management time with complex quarterly financial covenants and related matters. Aecon intends to cancel its existing bank credit facility effective from May 1, 2005, and is currently in negotiation to secure a modest bank credit line of $10 to $15 million to assist with very short-term changes in working capital balances and to support its ongoing letters of credit requirements.

To fund investments in property, plant and equipment, Aecon has access to several committed and uncommitted equipment financing and leasing facilities. Remaining availability under these lines of credit is expected to be sufficient to meet Aecon's anticipated requirements in 2005.

CHANGES IN ACCOUNTING POLICIES

AcG 15 is the Canadian equivalent of the United States' FIN 46R and modifies the principles used in determining when and by whom entities are consolidated. Existing consolidation rules are considered to be unsatisfactory as they do not properly address Special Purpose Entities or other structures where control is pre-arranged and voting control doesn't reflect the underlying economic risks and rewards. Broadly speaking, if a company is exposed to more than 50% of the economic risks of a variable

interest entity, it is presumed to control the entity and must consolidate it, notwithstanding that its voting interest may be minimal. Two consolidation "models" are established under AcG 15 – a Voting Interest Model (VOI) and a Variable Interest Model (VIE). The VOI model has been the standard for purposes of determining control and in order to continue to use the VOI model it must be demonstrated that equity holders as a group control the entity and that they are truly at risk. On of the tests is that there must be a minimum amount of equity, as it appears in the financial statements of the entity being assessed. If the VOI tests are not met, the VIE model would be used. Proportionate consolidation is not permitted under the VIE model. Application of this new standard is extremely complex. Aecon has assessed AcG 15 and concluded that it will not result in any change to the manner in which it consolidates its current operations.

The CICA Handbook section related to Financial Instruments now includes a new interpretation which helps clarify the classification of a financial instrument as between debt or equity. None of Aecon's existing financial instruments will be classified differently as a result of this addition to the Handbook.

SUPPLEMENTAL DISCLOSURES

Contractual Obligations

At December 31, 2004, the Company had commitments totalling $142.8 million for equipment and premises under operating leases requiring minimum payments and for principal repayment obligations under long-term debt. The only material change since then has been the additional obligation, effective March 17, 2005, with respect to the issuance of the $32.5 million convertible debenture noted above.

At March 31, 2005, Aecon had contractual obligations to complete construction contracts which were in progress. The revenue value of these contracts, which represents backlog, was $590.0 million.

Off-Balance Sheet Arrangements

In connection with its joint venture operations in India and Israel, Aecon has provided various financial and performance guarantees and letters of credit, which are described in note 6 to the consolidated financial statements.

There was no material change in the funded status of Aecon's pension plans during the first quarter of 2005. Details relating to Aecon's defined benefit plans are set out in note 18 to the Company's 2004 consolidated financial statements.

Aecon from time to time enters into forward contracts and other foreign exchange hedging products to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. At March 31, 2005, the Company had net outstanding contracts to sell US $8.7 million (December 31, 2004 - sell US $9.7 million) and sell EUR nil (December 31, 2004 - sell EUR 0.6 million) on which there was an unrealized exchange gain of $0.3 million (December 31,

2004 - $0.6 million). Financial instruments are discussed in note 20 to the Company's 2004 consolidated financial statements.

Related Party Transactions

Aecon from time to time receives financial support from Hochtief AG and its subsidiary companies (Hochtief), which is Aecon's largest shareholder. At March 31, 2005, Aecon was indebted to Hochtief for $7.7 million in the form of a convertible subordinated debenture as described in note 11 to the Company's 2004 consolidated financial statements. Hochtief AG has issued guarantees in support of the financial and performance related obligations of the Nathpa Jhakri hydro-electric project in India in which Aecon has a joint venture interest. Aecon paid Hochtief AG $0.1 million during the first quarter of 2005 in connection with these guarantees. Aecon and Hochtief are also joint venture partners in a hydro-electric project in Quebec.

An officer and director of the Company purchased $0.1 million, a company controlled by a director and his wife purchased $0.6 million, and the wife of a director purchased $0.1 million of the Company's $32.5 million convertible debenture financing, which was completed on March 17, 2005.

Critical Accounting Estimates

The reader is referred to the detailed discussion on Critical Accounting estimates as outlined in the notes to the Company's 2004 Consolidated Financial Statements

Outstanding Share Data

Aecon is authorized to issue an unlimited number of common shares. The following are details of common shares outstanding and securities that are convertible into common shares.

(in thousands of dollars, except share amounts)

	March 31, 2005	May 11, 2005
Number of common shares outstanding	30,800,609	30,830,109
Paid-up capital of common shares outstanding (1)	$ 94,843	$ 94,949
Outstanding securities exchangeable or convertible into common shares:		
Number of employee stock options outstanding	905,000	875,500
Number of common shares issuable on exercise of employee stock options	905,000	875,500
Increase in paid-up capital on exercise of employee stock options	$ 3,792	$ 3,686
Principal amount of convertible debentures outstanding (see note 11 to the Company's 2004 consolidated financial statements)	$ 70,231	$ 70,231
Number of common shares issuable on conversion of convertible debenture	10,423,884	10,423,884
Increase in paid-up capital on conversion of convertible debenture	$ 70,231	$ 70,231

(1) As described in note 2 to the Company's 2004 consolidated financial statements, in accordance with the recommendations of The Canadian Institute of Chartered Accountants share capital has been reduced by $857 thousand on account of share purchase loans receivable from employees.

OUTLOOK

The first quarter of the year is traditionally the slowest period within the Canadian construction industry and is not normally indicative of performance over the balance of the year. The historical trend of losses reported early in the year, followed by profits in the second half, is expected to be repeated in 2005.

Aecon's backlog, sometimes viewed as a good indicator of future revenue prospects, increased to $590 million at March 31, 2005, an increase of $25 million from the beginning of the year and $12 million from the same time last year. The year over year increase was despite a decline in major projects backlog, which fell by $11 million as construction of Aecon's major projects in India and Israel reached completion. This depletion of Aecon's major projects backlog is expected to be reversed when the anticipated financial close of the Quito Airport project will add approximately $250 million to Aecon's backlog.

Within Aecon's Infrastructure segment, the improvement experienced in the roadbuilding sector relative to the first quarter of 2004 is expected to continue throughout the year. The increased volumes seen in the first quarter are supported by a healthy backlog and, as the roadbuilding business

is one of the most seasonal of Aecon's businesses, the losses incurred in the first quarter are expected to give way to profit contributions in the second quarter and second half of the year.

Similarly, the year over year improvement in both volumes and operating results seen in Aecon's utilities operations this quarter, are expected to continue throughout the year. The ongoing improvement of the telecom sector and the recent renewal of contracts with key clients Union Gas and Expertech are all positive indications of continued improvement of the Utilities business. The Union Gas and Expertech renewals are of importance operationally, as they are Aecon's largest utilities customers, and strategically because of the nature of the arrangements Aecon has with them. Aecon's alliance agreement with Union is a groundbreaking initiative for Aecon involving geographic mandates and 'open book' pricing that Aecon is using as a model for possible future use with selected other key customers. Similarly, the Expertech relationship, while not yet as well developed as the Union alliance, is a strategic relationship where Aecon is their largest and preferred contractor.

While an improvement is expected this year over the results reported in 2004 within Aecon's Quebec civil operations, the challenges experienced last year remain, and results in this sector are not expected to be strong in 2005. As noted earlier, management decided in the fourth quarter of last year to reduce the profit estimate on its key project in Quebec, the Eastmain hydro-electric project, to $0. The project has incurred significant unplanned costs due to changes in contract scope as well as delays caused by the client, all supported by change orders. Management believes that it will be successful in recovering these costs from the client and ultimately reporting a profit from the project.

Outside of Quebec, Aecon's heavy civil construction operations are expected to show a small loss in the final three quarters of 2005 as volume reductions flowing from completion of the Cross Israel Highway and the Nathpa Jhakri hydro-electric project in India have not yet been fully replaced. Central to Aecon's plan for replacing this volume is achieving financial close on the Quito Airport project. Signing of the required financing documents for the project, previously expected early in the second quarter, is now anticipated to occur late in the quarter, and with satisfaction of the final conditions precedent and flow of funds expected about 90 days later. With construction likely to begin in the second half of 2005, Aecon does not expect to report construction profit from the project this year. Under Aecon's accounting policy for large multi-year contracts, profit is recognized only when progress reaches a stage of completion sufficient to reasonably determine the probable results (generally when the contract is 20% complete), which is not expected to occur on the Quito project until 2006.

Tolling and highway operations continue to function well on the Cross Israel Highway and traffic volumes continue to be in the range anticipated with an average of 65,000 cars per day. Following the end of the quarter, results of an updated traffic forecast were received from Wilbur Smith Associates (WSA). The study tends to confirm the general traffic patterns forecast in the last WSA study but suggests that traffic may be a little higher in the early years and lower in the later years of the concession than had previously been forecast. With the updated traffic forecast taken into account, the project's financial model continues to forecast that the first cash disbursement to Aecon and the other shareholders in the highway concession will be in the second half of 2009 and that the after tax internal rate of return of the project will be in the 14% range, assuming full exercise of the State and lender options.

In the Buildings segment, the small positive contribution to earnings recorded in the first quarter is an early positive sign that increases management's confidence that a turnaround is underway in this segment. While the changes implemented in 2004, including augmentation of risk management practices and re-focusing business development activities on higher margin work, are still in the early stages and it is premature to draw conclusions from one profitable quarter, management continues to expect a substantial turnaround in results from the Buildings segment in 2005, including a return to profitability this year (assuming that the Corporation continues to secure and maintain sufficient surety capacity to satisfy anticipated requirements). The segment's Ottawa and Greater Toronto business units are expected to record the largest year over year improvements in 2005. The Ottawa business unit is expected to break even this year while the other large business units in the segment - Greater Toronto, Aecon/Cegerco (Montreal) and Seattle - are each expected to make positive profit contributions in 2005.

In the Industrial segment, IST's increased volumes in the first quarter of 2005 came entirely from working -off backlog that had been accumulated in the first three quarters of 2004. The lack of new sales since that time has been the result of an industry wide slowdown in sales activity that is quickly depleting IST's backlog of work. The sales slowdown within the broader industry is believed to be temporary and not indicative of future prospects. While ensuring that IST's year over year improvement continues throughout 2005 will require some early new sales, prospects appear encouraging.

Although Aecon's industrial construction and fabrication business is off to a slower start in 2005 than was the case last year, this trend is expected to reverse over the balance of the year and result in a significant improvement in profit contribution by year end. This improvement is expected to be led by the Western Operations business unit which, following three quarters of low volumes due to timing gaps and project delays, has received substantial new awards relating largely to work from the oil sands projects in northern Alberta.

Overall, results from the first quarter of 2005 indicate that Aecon is turning the corner. The changes made over the past year and the strategic direction set at the close of 2004 appear to be having the intended effect, and management continues to expect significantly improved results and a return to profitability in 2005.

FORWARD-LOOKING INFORMATION

In various places in Management's Discussion and Analysis and in other sections of this document, management's expectations regarding future performance of Aecon was discussed. These "forward-looking" statements are based on currently available competitive, financial and economic data and operating plans, but are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations or financial position of Aecon, as well as statements preceded by, followed by, or that include the words "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of Aecon and could cause those results to differ materially from those expressed in any forward-looking statements.

Aecon Group Inc.

Consolidated Financial Statements

March 31, 2005 and 2004

Notice To Reader

The management of Aecon Group Inc. is responsible for the preparation of the accompanying interim consolidated financial statements. The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

These interim financial statements have not been reviewed by an auditor. These interim consolidated financial statements are unaudited and include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

(signed) John M. Beck, Chief Executive Officer

(signed) Scott C. Balfour, Chief Financial Officer

Aecon Group Inc.

Consolidated Balance Sheets

(in thousands of dollars) (unaudited)

	March 31, 2005	December 31, 2004
Assets		
Current assets		
Cash and cash equivalents	**$ 43,707**	$ 50,139
Marketable securities and term deposits	**13,586**	15,583
Accounts receivable	**102,716**	140,878
Holdbacks receivable	**32,720**	43,255
Deferred contract costs and unbilled revenue	**50,638**	55,242
Inventories	**7,983**	8,754
Prepaid expenses	**3,039**	1,545
	254,389	315,396
Property, plant and equipment	**58,007**	58,983
Future income tax assets	**11,417**	12,095
Long-term investment (note 12)	**41,273**	36,925
Other assets	**35,871**	31,928
	$ 400,957	$ 455,327

Aecon Group Inc.

Consolidated Balance Sheets ...*continued*

(in thousands of dollars) (unaudited)

	March 31, 2005	December 31, 2004
Liabilities		
Current liabilities		
Bank indebtedness	**$ 8,732**	$ 11,905
Accounts payable and accrued liabilities	**119,778**	151,263
Holdbacks payable	**22,408**	29,719
Deferred revenue	**29,581**	45,891
Income taxes payable	**5,635**	4,752
Future income tax liabilities	**13,790**	13,790
Current portion of long-term debt	**4,675**	4,477
Convertible debentures (note 11)	**7,594**	-
	212,193	261,797
Long-term debt	**17,910**	40,352
Other liabilities	**2,396**	2,441
Other income tax liabilities	**12,138**	12,138
Convertible debentures (note 11)	**58,537**	35,643
	303,174	352,371
Shareholders' Equity		
Capital stock (note 3)	**94,843**	93,829
Contributed surplus (note 3)	**230**	190
Convertible debentures (note 11)	**4,982**	2,826
(Deficit) retained earnings	**(2,272)**	6,111
	97,783	102,956
	$ 400,957	$ 455,327

Approved by the Board of Directors

(signed) John M. Beck, Director

(signed) Scott C. Balfour, Director

Aecon Group Inc.

Consolidated Statements of Operations

For the Three Months ended March 31, 2005 and 2004

(in thousands of dollars, except per share amounts) (unaudited)

		2005		2004
Revenues	$	**172,872**	$	189,014
Costs and expenses		**167,580**		182,741
Marketing, general and administrative expenses (note 9)		**12,817**		13,916
Depreciation and amortization		**1,766**		1,747
(Gain) loss on sale of assets		**(23)**		30
Interest expense, net		**1,736**		932
		183,876		199,366
Loss before income taxes, extraordinary items, and discontinued operations		**(11,004)**		(10,352)
Income taxes (recovery) (note 4)				
Current		**830**		665
Future		**-**		(4,075)
		830		(3,410)
Loss before extraordinary items, and discontinued operations		**(11,834)**		(6,942)
Extraordinary gain, net of income taxes (note 12)		**3,444**		-
Loss before discontinued operations		**(8,390)**		(6,942)
Income from discontinued operations (note 8)		**-**		4,580
Net loss for the period	$	**(8,390)**	$	(2,362)
Loss per share before extraordinary items, and discontinued operations (note 3)				
Basic	**$**	**(0.40)**	$	(0.28)
Diluted	**$**	**(0.40)**	$	(0.28)
Net loss per share (note 3)				
Basic	**$**	**(0.29)**	$	(0.10)
Diluted	**$**	**(0.29)**	$	(0.10)
Average number of shares outstanding (note 3)				
Basic		**29,271,962**		24,552,582
Diluted		**33,141,231**		28,467,596

Aecon Group Inc.

Consolidated Statements of (Deficit) Retained Earnings

For the Three Months ended March 31, 2005 and 2004

(in thousands of dollars) (unaudited)

	2005	2004
Retained earnings - beginning of period	**$ 6,111**	$ 47,712
Add (deduct)		
Net loss for the period	**(8,390)**	(2,362)
Interest received on share purchase loans	**7**	7
(Deficit) retained earnings - end of period	**$ (2,272)**	$ 45,357

Aecon Group Inc.

Consolidated Statements of Cash Flows

For the Three Months ended March 31, 2005 and 2004

(in thousands of dollars) (unaudited)

	2005	2004
Cash provided by (used in)		
Operating activities		
Loss before discontinued operations	$ **(8,390)**	$ (6,942)
Items not affecting cash:		
Depreciation and amortization	**1,766**	1,747
(Gain) loss on sale of assets	**(23)**	30
Deferred financing charges amortization	**83**	-
Extraordinary gain (note 12)	**(4,122)**	-
Loss (gain) on foreign exchange	**52**	(1,199)
Notional interest representing accretion (note 11)	**144**	27
Future income taxes	**678**	(4,075)
	(9,812)	(10,412)
Change in other balances relating to operations (note 5)	**953**	8,583
Discontinued operations	**-**	131
	(8,859)	(1,698)
Investing activities		
Purchase of property, plant and equipment	**(817)**	(576)
Proceeds on sale of property, plant and equipment	**431**	138
Increase in long-term investment (note 12)	**(4,348)**	(13,124)
Increase in other assets	**(944)**	(1,082)
Proceeds from disposition of other assets (note 5)	**-**	4,326
Cash acquired on acquisition of a subsidiary, net of consideration paid (note 12)	**1,896**	-
Discontinued operations	**-**	12
	(3,782)	(10,306)
Financing activities		
Decrease in bank indebtedness	**(3,247)**	(15,921)
Issuance of long-term debt	**22,974**	2,944
Repayments of long-term debt	**(45,564)**	(1,272)
Issuance of capital stock (note 3)	**1,014**	23,575
Interest received on share purchase loans	**7**	7
Net proceeds from issuance of convertible debenture	**31,016**	-
Discontinued operations	**-**	28
	6,200	9,361
Decrease in cash and cash equivalents	**(6,441)**	(2,643)
Effects of foreign exchange on cash balances	**9**	918
Cash and cash equivalents - beginning of period	**50,139**	29,451
Cash and cash equivalents - end of period	$ **43,707**	$ 27,726

Supplementary disclosure (note 5)

(in thousands of dollars, except per share amounts) (unaudited)

1. Summary of significant accounting policies

These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements. They do not include all of the disclosures required by generally accepted accounting principles for annual financial statements and accordingly, the interim financial information should be read in conjunction with the Company's annual financial statements. The interim financial information has been prepared using the same accounting policies as set out in note 1 to the Consolidated Financial Statements for the year ended December 31, 2004, except for those accounting policies adopted on January 1, 2005 as described in note 2 hereunder. In the opinion of management these statements include all adjustments, consisting of normal and recurring items, that are necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

The construction industry in Canada is seasonal in nature due to weather conditions, with less work performed in the winter and early spring months. Accordingly, the Company experiences a seasonal pattern in its operating results with the first quarter of the year typically reflecting lower revenues and profits than the other three quarters. Results for the three-months ended March 31, 2005 are not necessarily indicative of results expected for the full fiscal year or any other future period.

2. Changes in accounting policies

AcG 15 is the Canadian equivalent of the United States' FIN 46R and modifies the principles used in determining when and by whom entities are consolidated. Existing consolidation rules are considered to be unsatisfactory as they do not properly address Special Purpose Entities or other structures where control is pre-arranged and voting control doesn't reflect the underlying economic risks and rewards. In general, if a company is exposed to more than 50% of the economic risks of a variable interest entity, it is presumed to control the entity and must consolidate it, notwithstanding that its voting interest may be minimal. Two consolidation "models" are established under AcG 15 – a Voting Interest Model (VOI) and a Variable Interest Model (VIE). The VOI model has been the standard for purposes of determining control and in order to continue to use the VOI model it must be demonstrated that equity holders as a group control the entity and that they are truly at risk. One of the tests is that there must be a minimum amount of equity, as it appears in the financial statements of the entity being assessed. If the VOI tests are not met, the VIE model would be used. Proportionate consolidation is not permitted under the VIE model. Aecon's assessment is that AcG 15 will not result in any change to the manner in which it currently consolidates its operations.

The Canadian Institute of Chartered Accountants ("CICA") Handbook section related to Financial Instruments now includes a new interpretation which helps clarify the classification of a financial instrument as between debt or equity. None of Aecon's existing financial instruments will be classified differently as a result of this addition to the Handbook.

(in thousands of dollars, except per share amounts) (unaudited)

3. Capital stock

	2005			**2004**		
	Number of shares issued		**Amount**	**Number of shares issued**		**Amount**
Balance - beginning of period	30,524,609	$	93,829	25,308,542	$	68,216
Common shares issued on exercise of options	276,000		1,014	64,667		234
Common shares issued less expenses of $809 (i)	-		-	4,600,000		23,341
Balance - end of period	30,800,609	$	94,843	29,973,209	$	91,791

(i) On March 18, 2004, the Company issued 4,600,000 common shares at $5.25 per share. Net proceeds, after deducting agents' fees and estimated expenses of the issue were approximately $23,341. Hochtief Canada Inc., the Company's largest shareholder, exercised its pre-emptive right in connection with this offering and acquired 2,214,440 common shares, thus maintaining its 48.1% interest.

The Company is authorized to issue an unlimited number of common shares.

Pursuant to the loan agreement with the Company's bankers, the Company is restricted from paying dividends, except for an aggregate of $4,000 per fiscal year, provided that the financial covenants set out in the loan agreement have been satisfied.

Under the terms and conditions of the 1998 Stock Option Plan (the 1998 Plan), the aggregate number of common shares, which may be reserved for issuance under the 1998 Plan, shall not exceed 2,700,000 common shares. At March 31, 2005 the maximum number of shares reserved for issuance under the plan, after deducting options that have been exercised, is 1,221,266, of which 905,000 have been issued. Each option agreement shall specify the period for which the option thereunder is exercisable (which in no event shall exceed ten years from the date of grant), and shall provide that the option shall expire at the end of such period. The Company's Board of Directors will determine the vesting period on the dates of option grants.

(in thousands of dollars, except per share amounts) (unaudited)

	2005		2004	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Balance outstanding at beginning of period	1,181,000	$ 4.05	1,780,400	$ 3.76
Granted	-	-	-	-
Exercised	(276,000)	3.67	(64,667)	3.62
Forfeited	-	-	(83,333)	5.40
Options outstanding at end of period	905,000	$ 4.19	1,632,400	$ 3.69
Options exercisable at end of period	688,333	$ 3.66	1,407,400	$ 3.61

Options were exercised during the period for 276,000 shares (2004 – 64,667) for which share capital was increased by $1,014 (2004 - $234). Options currently outstanding have the following exercise prices and expiry dates:

Options granted in	Number of shares	Exercise price	Expiry date
2000	380,000	$ 3.60	July 20, 2005
2001	200,000	3.60	March 5, 2006
2001	75,000	3.60	April 9, 2006
2003	100,000	4.75	April 1, 2008
2004	100,000	6.30	August 3, 2009
2004	50,000	6.20	November 30, 2009

The options granted have a term of five years from the date of grant and vest on the anniversary date of the grant at the rate of one-third per annum of the total number of share options granted.

The Company uses fair value accounting for options granted to employees. During the period compensation expense of $40 was recognized (2004 – reduced by $124), and contributed surplus was increased or reduced by the same amount, on account of options granted and forefeited.

Details of the calculation of loss per share are set out below. For purposes of calculating basic loss per share the number of common shares in 2005 and 2004 have been reduced by 1,522,063 common shares on account of share purchase loans receivable from employees. For purposes of calculating diluted loss per share, these shares have been treated as options.

(in thousands of dollars, except per share amounts) (unaudited)

				2005
		Loss (numerator)	**Shares (denominator)**	**Per share**
Net loss per share				
Net loss for the period	$	(8,390)	29,271,962	$ (0.29)
Effect of dilutive securities (i)				
Options		-	1,721,701	-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		82	2,147,568	-
	$	(8,308)	33,141,231	$ (0.29)
Loss per share before extraordinary items and discontinued operations				
Loss before extraordinary items and discontinued operations		(11,834)	29,271,962	(0.40)
Effect of dilutive securities (i)				
Options		-	1,721,701	-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		82	2,147,568	-
	$	(11,752)	33,141,231	$ (0.40)

(in thousands of dollars, except per share amounts) (unaudited)

			2004		
		Loss (numerator)	**Shares (denominator)**		**Per share**
Net loss per share					
Net loss for the period	$	(2,362)	24,552,582	$	(0.10)
Effect of dilutive securities (i)					
Options		-	1,920,218		-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		80	1,994,796		-
	$	(2,282)	28,467,596	$	(0.10)
Loss per share before extraordinary items and discontinued operations					
Loss before extraordinary items and discontinued operations		(6,942)	24,552,582		(0.28)
Effect of dilutive securities (i)					
Options		-	1,920,218		-
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006		80	1,994,796		-
	$	(6,862)	28,467,596	$	(0.28)

(i) As the impact of dilutive securities would be to decrease the loss per share, they are excluded for purposes of the calculation of diluted loss per share.

Basic earnings per share from extraordinary items amounted to $0.11 (2004 - Nil), and diluted earnings per share from extraordinary gain amounted to $0.11 (2004 - Nil).

Basic earnings per share from discontinued operations amounted to Nil (2004 - $0.18 per share), and diluted earnings per share from discontinued operations amounted to Nil (2004 - $0.18).

(in thousands of dollars, except per share amounts) (unaudited)

4. Income taxes

The Company's effective income tax recovery rate for the first quarter 2005 was 7.5% (2004 – 32.9%) on pre-tax losses (before extraordinary items and discontinued operations) of $11,004 (2004 - $10,352). These rates compare to the combined Canadian federal and provincial (Ontario) statutory income tax rate of 36.1% in 2005 and 2004. The unusually low recovery rate in the first quarter 2005 primarily results from a valuation allowance against current year future tax assets, non-deductible expenses for tax purposes, and large corporations' tax.

Loss before income taxes and extraordinary items	$	11,004
Statutory income tax rate		36.1%
Expected income tax recovery		(3,972)
Effect on income tax of:		
Valuation allowance against current year's future tax assets		4,533
Non-deductible expenses		108
Large corporations tax		113
Other		48
Income tax expense	$	830
Effective income tax rate		7.5%

In the fourth quarter of 2004, the Company provided a valuation allowance against the net future tax assets that had been recorded at December 31, 2003 and against future tax assets that would otherwise have been recorded in 2004 with respect to its Canadian controlled operations. Consistent with this accounting treatment, on the basis that the Company has incurred further losses in its Canadian operations in the first quarter 2005, a $4,533 valuation allowance has been provided against the net future tax assets that would otherwise have been recorded in the first quarter of 2005. Should the Company report income from its Canadian controlled operations during the remainder of 2005; any provision for tax on this income will be reduced by unrecognized tax losses.

(in thousands of dollars, except per share amounts) (unaudited)

5. Cash flow information

Change in other balances relating to operations:

		2005		2004
Decrease (increase) in:				
Marketable securities	**$**	**1,955**	$	1,305
Accounts receivable		**39,563**		23,229
Holdbacks receivable		**10,548**		2,525
Deferred contract costs and unbilled revenue		**6,940**		(1,401)
Inventories		**771**		230
Prepaid expenses		**(1,494)**		229
(Decrease) increase in:				
Accounts payable and accrued liabilities		**(33,808)**		(31,841)
Holdbacks payable		**(7,459)**		5,368
Deferred revenue		**(16,876)**		9,966
Income taxes payable		**813**		(1,027)
	$	**953**	$	8,583

Other supplementary information:

		2005		2004
Cash interest paid	**$**	**713**	$	1,233
Cash income taxes paid		**2,366**		861

During the three months ended March 31, 2005, property, plant and equipment amounting to $345 (2004 - $300) was acquired and financed by means of capital leases.

During the three months ended March 31, 2004, the Company received $4,326 upon the transfer to a new partner of a portion of its interest in the Quito, Ecuador airport project.

(in thousands of dollars, except per share amounts) (unaudited)

6. Guarantees

The Company has outstanding guarantees and letters of credit amounting to $26,774 (December 31, 2004 - $29,644) in support of financial and performance related obligations for the Nathpa Jhakri Hydro-electric Project in India, which has also been guaranteed by Hochtief AG, the parent of the Company's principal shareholder. The Company and Hochtief have signed an indemnity agreement whereby the Company has agreed to pay Hochtief any amounts Hochtief is required to pay pursuant to this guarantee.

In connection with the Cross Israel Highway project, the Company has provided a joint and several guarantee in the amount of $9,072 (December 31, 2004 - $9,015) in support of holdback related obligations. The Company has also provided two other joint and several guarantees in support of the project, a continuous guarantee, which guarantees the performance of the concessionaire in which the Company has a 25% interest (December 31, 2004 – 22.22%) and a leakage guarantee, which is a guarantee by the operator of the toll highway, in which the Company has a temporary 51% interest – dropping to 35% in May 2005 (December 31, 2004 – 34%), to the concessionaire and covers toll capture and collection rates generated from users of the highway during the operating period. These guarantees extend to the end of the concession period which ends in 2029. The continuous guarantee is in the amount of $16,330 (December 31, 2004 - $16,227) and is renewed annually to its full amount, irrespective of any drawings made thereunder. The leakage guarantee came into effect when construction was completed and is renewable annually for the lesser of USD $10,000 (Cdn. $12,157; December 2004 – Cdn.$12,276) or 6% of annual toll revenue.

In addition, the Company has also issued, in the normal conduct of operations, guarantees amounting to $7,855 (December 31, 2004 - $7,186) in support of financial and performance related obligations. Furthermore, the Company has issued an advance payment guarantee in the amount of $3,000 (December 31, 2004 – $3,000) for the Eastmain Powerhouse project (this guarantee is counter guaranteed by Hochtief), and a performance guarantee of $5,366 (December 31, 2004 – $5,572) for the DSD Wuppertal project in Germany which is supported by a guarantee issued to Aecon by Export Development Corporation.

Under the terms of many of the Company's joint ventures' contracts with project owners, each of the partners is joint and severally liable for performance under the contracts. Circumstances that could lead to a loss include a partner's inability to contribute additional funds to the venture in the event that the project incurs a loss or additional costs that the Company could incur should the partner fail to provide the contractually committed services and resources. At March 31, 2005, the value of uncompleted work for which Aecon's joint venture partners are responsible, and which Aecon could be responsible for assuming, amounted to approximately $99,000 (December 31, 2004 - $115,000), a substantial portion of which is supported by performance bonds. In the event that Aecon assumed this additional work it would have the right to receive the partner's share of billings to the project owners pursuant to the joint venture contract.

The company has, over time, sold portions of its business. Pursuant to the sale agreements, the Company may have to indemnify the purchaser against liabilities related to events prior to the sale, such as tax, environmental, litigation and employment matters or related to representations made by the Company. The Company is unable to estimate the potential liability for these types of indemnification guarantees as the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. However the maximum guarantee is not to exceed the proceeds from disposal. Historically, the Company has not made any significant indemnification payments under such agreements.

(in thousands of dollars, except per share amounts) (unaudited)

7. Segmented information and business concentration

The Company has three reportable segments: Infrastructure, Buildings and Industrial. This segmentation reflects the Company's current structure and management. The Corporate and Other category in the summary below includes corporate costs and other activities not directly allocable to segments and also includes inter-segment eliminations.

Infrastructure

This segment includes all aspects of the construction of infrastructure including roads and highways, expressways and toll routes, dams and tunnels, bridges, airports, marine facilities, transit systems and power projects as well as utility distribution systems including natural gas, telecommunications and electrical networks, water and sewer mains, traffic signals and highway lighting. Activities within this segment also include the development, design, construction, operation and financing of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer or public-private partnership contract structures.

Buildings

This segment is active in the construction of commercial and institutional buildings principally in Canada and the north-western United States and selected international projects.

Industrial

This segment includes all of the Company's industrial manufacturing and industrial construction activities. These operations include the fabrication of small and large bore pipe and module assembly for the petrochemical industry, and the design and manufacture of once-through heat recovery steam generators for industrial and power plant applications. Also included are the Company's industrial construction, installation and maintenance activities where the Company has special expertise in the power, automotive and steel industries.

(in thousands of dollars, except per share amounts) (unaudited)

Information by reportable segments is as follows:

					2005
	Infrastructure	**Buildings**	**Industrial**	**Corporate and Other**	**Total**
Revenues	$ 57,635	$ 77,151	$ 39,024	$ (938)	$ 172,872
EBITDA (i)	$ (3,604)	$ 345	$ (1,921)	$ (2,322)	$ (7,502)
Depreciation and amortization	999	112	440	215	1,766
Segment operating profit (loss)	$ (4,603)	$ 233	$ (2,361)	$ (2,537)	$ (9,268)
Interest and income taxes					(2,566)
Loss before extraordinary items					$ (11,834)
Extraordinary gain	$ 4,122	$ -	$ -	$ -	$ 4,122
Income taxes					(678)
Extraordinary gain, net of income taxes					$ 3,444
Net loss					$ (8,390)
Total assets	$ 201,085	$ 91,288	$ 76,480	$ 32,104	$ 400,957
Intangible assets and goodwill	$ 2,709	$ 1,953	$ 3,750	$ -	$ 8,412
Capital expenditures	$ 452	$ 73	$ 163	$ 129	$ 817
Cash flow from continuing operations	$ (3,897)	$ 345	$ (1,869)	$ (4,391)	$ (9,812)

(in thousands of dollars, except per share amounts) (unaudited)

					2004
	Infrastructure	**Buildings**	**Industrial**	**Corporate and Other**	**Total**
Revenues	$ 54,994	$ 83,576	$ 50,799	$ (355)	$ 189,014
EBITDA (i)	$ (4,966)	$ (1,581)	$ 3,783	$ (4,909)	$ (7,673)
Depreciation and amortization	1,030	125	413	179	1,747
Segment operating profit (loss)	$ (5,996)	$ (1,706)	$ 3,370	$ (5,088)	$ (9,420)
Interest and income taxes					2,478
Loss from continuing operations					$ (6,942)
Segment operating profit (loss) from discontinued operations	$ (216)	$ -	$ 7,395	$ -	$ 7,179
Interest and income taxes					(2,599)
Income from discontinued operations					$ 4,580
Net loss					$ (2,362)
Total assets	$ 213,780	$ 73,109	$ 79,677	$ 75,928	$ 442,494
Assets of discontinued operations	$ 3,706	$ -	$ 18,169	$ -	$ 21,875
Intangible assets and goodwill	$ 2,845	$ 4,362	$ 3,750	$ -	$ 10,957
Capital expenditures	$ 452	$ 36	$ 227	$ (139)	$ 576
Cash flow from continuing operations	$ (6,048)	$ (1,581)	$ 3,775	$ (6,558)	$ (10,412)

i. EBITDA represents earnings or loss before interest, income taxes, depreciation and amortization. Segment operating profit (loss) represents net income (loss) before interest and income taxes. Cash flow from operations is before the change in other balances related to operations. EBITDA, operating profit (loss), and cash flow from operations are not measures that have any standardized meaning prescribed by GAAP and are considered non-GAAP measures. Therefore, these measures may not be comparable to similar measures presented by

(in thousands of dollars, except per share amounts) (unaudited)

other companies. These measures have been described and presented in order to provide shareholders and potential investors with additional information regarding the Company's finances and results of operations.

8. Discontinued operations

In the fourth quarter of 2004, the Company sold its 38.75% interest in Canatom NPM Inc. (Canatom) that was part of the Company's Industrial segment. For the three months ended March 31, 2004, the Company's proportionate share of revenues, expenses and net loss from this joint venture were as follows: revenues of $8,590; expenses other than income taxes of $1,176; net income of $4,736.

In the fourth quarter of 2004, the Company sold its Footage Tools division that was part of the Company's Infrastructure segment. For the three months ended March 31, 2004, the Company's revenues, expenses and net loss from this division were as follows: revenues of $887; expenses other than income taxes of $797; net income of $90.

In the second quarter of 2004, the Company sold its one-third interest in a joint venture that was part of the Company's Infrastructure segment. For the three months ended March 31, 2004, the Company's proportionate share of revenues, expenses and net loss from this joint venture were as follows: revenues of Nil; expenses other than income taxes of $315; net loss of $246.

In the first quarter of 2004, the Company sold its interest in Europort Poland Sp. z o.o., SC Infrastructure (Poland) Sp. z o.o, and related affiliated companies (Europort). Proceeds from disposition were nominal.

Included as Discontinued Operations in the Consolidated Statements of Operations and Consolidated Statements of Cash Flows are the results of operations and cash flows related to these operations.

The table below summarizes income from discontinued operations:

		2004
Revenues	$	9,477
Expenses		(2,288)
Income before income taxes		7,189
Income taxes		2,609
Income	$	4,580

Certain comparative figures have been reclassified, consistent with the presentation of discontinued operations.

9. Lease termination cost

During the first quarter of 2004, the Company reached agreement with its landlord to terminate, effective July 5, 2004, the lease on the Company's premises at 3660 Midland Avenue in Toronto. By exercising its right to terminate the lease before the lease termination date, the Company was required to pay on July 5, 2004 the sum of $2,550 to the landlord of the premises, which payment, in accordance with Canadian generally accepted

(in thousands of dollars, except per share amounts) (unaudited)

accounting principles, was charged to operations in the three months ended March 31, 2004 and included in Corporate and Other.

10. Employee future benefit expenses

Employee future benefit expenses for the three months ended March 31 are as follows:

	2005	2004
Defined benefit plan expense:		
Company sponsored pension plans	**$ 72**	$ 118
Defined contribution plan expense:		
Company sponsored pension plans	**392**	387
Multi-employer pension plans	**3,539**	2,450
Total employee future benefit expenses	**$ 4,003**	$ 2,955

11. Convertible debentures

In the current quarter, the Company entered into an agreement with a syndicate of underwriters pursuant to which the underwriters purchased $32,500 in unsecured, subordinated convertible debentures on an underwritten private placement basis.

The convertible debentures will mature on March 17, 2010 and will accrue interest at the rate of 8.25% per annum payable on a semi-annual basis. At the holder's option, the convertible debentures may be converted into common shares at any time up to the maturity date at a conversion price of $7.60 for each common share, subject to adjustment in certain circumstances.

The convertible debentures will not be redeemable before March 18, 2008. From March 18, 2008 through the maturity date the Company may, at its option, redeem the convertible debentures, in whole or in part, at par plus accrued and unpaid interest provided that the weighted average closing price of the common shares on the Toronto Stock Exchange during a specified period prior to redemption is not less than 125% of the conversion price.

Subject to specified conditions, the Company will have the right to repay the outstanding principal amount of the convertible debentures, on maturity or redemption, through the issuance of common shares of the Company. The Company also has the option to satisfy its obligation to pay interest through the issuance and sale of additional common shares of the Company on a private placement basis. Additionally, the Company will have the option, subject to prior agreement of the holders, to settle its obligations on conversion by way of a cash payment of equal value.

(in thousands of dollars, except per share amounts) (unaudited)

Hochtief, the Company's largest shareholder, has indicated that it will not sell or otherwise monetize any securities of Aecon that it directly or indirectly owns for a minimum period of 60 days following closing, without the prior approval of the underwriters.

In determining the amount of the debt and equity components of the convertible debenture, the carrying amount of the financial liability is first determined by discounting the stream of future payments of interest and principal at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The equity component equals the amount determined by deducting from the carrying amount of the compound instrument the amount of the debt component.

Convertible subordinated debentures:

		2005
Debt component:		
Balance – beginning of period	$	35,643
Notional interest representing accretion		144
Debenture issued during the quarter		30,344
Balance – end of period	$	66,131
Reported as:		
Current liability		7,594
Long term liability		58,537
	$	66,131
Equity component:		
Balance – beginning of period	$	2,826
Debenture issued during the quarter		2,156
Balance – end of period	$	4,982

(in thousands of dollars, except per share amounts) (unaudited)

12. Acquisition

On January 24, 2005, the Company acquired its partner's share in the joint venture that holds 33.33% in the construction joint venture, of which one of its projects was the Cross Israel Highway.

The following is a summary of the acquisition:

Net assets acquired		
Cash	$	3,416
Working capital		533
Long term receivable		1,693
	$	5,642
Consideration		
Cash	$	1,520
Extraordinary gain before income taxes	$	4,122
Income taxes		678
Extraordinary gain, net of income taxes	$	3,444

As the fair value of the financial and current net assets acquired exceeded the amount paid, the Company recorded an extraordinary gain of $4,122 before income taxes and $3,444 net of income taxes on this transaction in the first quarter of 2005. Also, since the cash acquired of $3,416 exceeded the consideration paid of $1,520, the Company's overall cash position improved by $1,896.

In addition, the Company increased its investment in Derech Eretz Highways (1997) Ltd. ("Derech Eretz"), the company owning the concession rights for the Cross Israel Highway, from 22.2% to 25%. The purchase price for the increased stake was $4,348 (US$3,500). Pursuant to certain agreements with the State of Israel and the project lenders, Aecon's interest in Derech Eretz would be diluted to approximately 11% if certain options granted to these parties are exercised.

13. Related party transactions

The Company from time to time receives financial support from its largest shareholder Hochtief Canada Inc. ("HCI"). At March 31, 2005 the Company was indebted to HCI for a total of $7.7 million (December 31, 2004 - $7.7 million) in the form of a convertible subordinated debenture as described in note 11 to the Company's 2004 Consolidated Financial Statements. Hochtief AG, the parent of HCI, has issued guarantees in support of the financial and performance related obligations of the Nathpa Jhakri hydro-electric project in India in which the Company has a joint venture interest. The Company paid Hochtief AG $0.1 million during the quarter ended March 31, 2005 (2004 - $0.1 million) in connection with these guarantees. In addition, the Company paid Hochtief $0.1 million of interest and fees (2004 - $0.2 million) in connection with the convertible subordinated debenture and the stand-by facility in 2004. The Company has a partnership agreement with Hochtief for bidding and executing large infrastructure projects in North America and is a joint venture partner in the $108 million hydro-electric power house project in Eastmain, Quebec.

(in thousands of dollars, except per share amounts) (unaudited)

An officer and director of the Company purchased $0.1 million, and a company controlled by a director and his wife purchased $0.6 million, and the wife of a director purchased $0.1 million of the Company's $32.5 million convertible debenture financing, which was completed on March 17, 2005.

14. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the three months ended March 31, 2005.

15. Subsequent Event

In April 2005, the joint venture involved in the construction of the Nathpa Jhakri Project in India, in which Aecon has a 45% interest, was advised by the owner, Satluj Jal Vidyut Nigam Ltd. ("SJVN") (formerly Nathpa Jhakri Power Corporation Limited) of their intention to levy liquidated damages against the joint venture in the amount of $31.9 million for not completing the contract on time. However, since the delay in the completion of the project was caused by numerous items outside of the joint venture's control and contractual responsibility, counsel for the joint venture believes that the joint venture is not liable for liquidated damages. Furthermore, management believes that the joint venture's requests for extension of contract time and its potential recoveries arising from delay related costs, which in the aggregate are significantly greater than the claim by the owner for liquidated damages, will be available to reduce the claims by the owner. As such, no provision has been made for the liquidated damages, nor, in accordance with Aecon's accounting policy, which is to recognize revenue from claims only when resolved, has any amount been recognized for unresolved claims for additional compensation from the owner.

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