

Aecon Group Inc.

ANNUAL INFORMATION FORM

March 30, 2009

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Unless the context otherwise requires, all references to the “Company” or “Aecon” include Aecon Group Inc., its predecessors and material subsidiaries and unless otherwise expressly indicated, all references to “\$” or “dollars” are to Canadian dollars.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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”, “intends”, “will”, “should” or similar expressions. Important factors, in addition to those discussed in this Annual Information Form (the “AIF”), could affect the future results of Aecon and could cause those results to differ materially from those expressed in any forward-looking statements.

In various places in this AIF, management’s expectations regarding the future performance of Aecon are 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. Recent events in global financial and credit markets have resulted in abnormally high market volatility and a level of uncertainty not seen in decades. The high level of uncertainty arising from this crisis may continue to impact the global, North American and Canadian economies in unpredictable ways and may impact the results of Aecon in a manner which is currently impossible to ascertain. In addition, factors could cause Aecon’s actual results, performance or achievements to vary from those expressed or inferred herein, including without limitation, the ability of the Eastmain joint venture to recover the full value of unpriced change orders, the ability to successfully integrate its recent acquisitions (see Section 2.1 “Acquisitions and Divestitures”) and failure to achieve the targets associated with the construction of the New Quito Airport or operation of the Existing Quito Airport. Additional discussion regarding risk factors is set out in greater detail in Section 3.2 “Risk Factors” of this AIF. Readers are cautioned that the foregoing list of factors and those contained elsewhere in this AIF are not exhaustive. Although the Company believes that the expectations conveyed by forward-looking statements are reasonable based on information available to it on the date such forward-looking statements are made, no assurances can be given as to future results, levels of activity and achievements. Such statements are included in this AIF solely to provide management’s view of the Company’s operations, based on management’s current expectations in these areas, and should not be relied upon for any other purpose. Investors and others should carefully consider the risk factors described in this AIF and not place undue reliance on forward-looking statements. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management’s estimates or opinions change, except as required by applicable law.

ITEM 1 CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

Aecon Group Inc. (“Aecon” or the “Company”) and its predecessor companies have carried on business in Canada since 1910. Aecon was originally incorporated on January 14, 1957 under the name “Prefac Concrete Co. Ltd.” and was continued under the *Canada Business Corporations Act* by certificate of continuance dated May 16, 1978. On June 18, 2001, the Company’s name was changed to its current name “Aecon Group Inc”.

Aecon’s registered and principal office is located at 20 Carlson Court, Suite 800, Toronto, Ontario, M9W 7K6, telephone: (416) 293-7004, fax: (416) 293-0271. The common shares of the Company are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the symbol "ARE".

1.2 Intercorporate Relationships

As at December 31, 2008, its most recent fiscal year end, Aecon conducted its business principally through the following subsidiary companies, all of which are wholly-owned by Aecon:

Subsidiary	Jurisdiction of Incorporation
Aecon Construction and Materials Limited	Ontario
Aecon Construction Group Inc. (“ACGI”)	Canada
West Carleton Sand & Gravel Inc (“West Carleton”)	Ontario
Groupe Aecon Québec Ltée	Québec

1.3 Joint Ventures

Aecon conducts a substantial portion of its business through joint ventures with other Canadian and international companies. The Cross Israel Toll Highway project (the “Cross Israel Highway Project”), the Bruce A Nuclear Generating Station in Ontario (the “Bruce Power Project”), the Quito Airport project in Ecuador (the “Quito Airport Project”), the Nathpa Jhakri hydroelectric project in India (the “Nathpa Jhakri Project”) and the Eastmain hydroelectric project in northern Québec (the “Eastmain Project”) constitute the Company’s most significant joint ventures.

Aecon has an effective 25% interest in the concessionaire of the Cross Israel Highway Project and an effective 31% interest in the operator company of the Cross Israel Highway Project. Aecon's economic interest in the concessionaire of the Cross Israel Highway Project could be diluted by 49% if certain options granted to the State of Israel by the concessionaire are exercised. Aecon is a 50% partner in a joint venture doing refurbishment work at the Bruce Power Project. Aecon also has a 42.3% effective economic interest in the concessionaire of the Quito Airport Project, a 50% interest in the joint venture that is constructing the New Quito Airport (as hereinafter defined), a 45% interest in the joint venture which built the Nathpa Jhakri Project and a 50% interest in the joint venture which built the Eastmain Project.

The Company holds a 42.3% effective economic interest in Corporacion Quiport S.A. (“Quiport JV”), an Ecuadorian company whose main operations consist of: (a) managing and operating the existing Mariscal Sucre International Airport (the “Existing Quito Airport”) until its operations are transferred to a new airport; and (b) the development, financing, construction, operation and maintenance of the new Quito International Airport (the “New Quito Airport”) under a concession arrangement with Corporacion Aeropuerto y Zona Franca del Distrito Metropolitano de Quito (“CORPAQ”). The Company’s 42.3% effective economic interest reflects a 45.5% investment in the Quiport JV less the impact of the Company’s share of a 7% carried interest given to one of the other partners for its participation in the project.

Aecon (via its wholly-owned subsidiary Leo Alarie & Sons Construction Ltd.) has a 20% interest in Kiewit-Alarie, a general partnership with joint and several liability retained by Ontario Power Generation with respect to the design, manufacture, supply, delivery, installation, commissioning and testing for four generating stations (including dam rehabilitation work) in the Timmins, Ontario area. See Section 3.1.4 “Major Projects” for additional detail.

ITEM 2

GENERAL DEVELOPMENT OF THE BUSINESS

Aecon is Canada’s largest publicly traded construction and infrastructure development company serving private and public sector clients across Canada and on a select basis internationally. Aecon’s capabilities include the infrastructure, civil, utilities, buildings, industrial and nuclear sectors. Services range from financing, design, construction and operation to procurement, materials supply and engineering and fabrication. As such, Aecon is one of the most diverse and multi-disciplined companies in its industry in Canada.

Significant business developments during the Company’s past three financial years are discussed below.

2.1 Acquisitions and Divestitures

In the first quarter of 2007, the Company acquired West Carleton, an aggregate, asphalt and civil construction company in eastern Ontario comprised of Karson Kartage & Konstruktion (1994) Limited, Karson Asphalt Paving Inc. and 368178 Ontario Limited operating as Spratt Aggregates (collectively, “The Karson Group”). The Company subsequently filed a business acquisition report in respect of the acquisition in the form of Form 51-102F4. For additional details, please see Note 19 “Acquisitions” in each of the 2007 Annual Audited Financial Statements and 2008 Annual Audited Financial Statements which are both filed on the Company’s SEDAR profile at www.sedar.com.

On December 20, 2007, the Company acquired the assets of Leo Alarie & Sons Construction Ltd., an integrated construction and materials company in northern Ontario. For additional details, please see Note 19 “Acquisitions” in each of the 2007 Annual Audited Financial Statements and 2008 Annual Audited Financial Statements.

On January 15, 2009, Aecon acquired South Rock Ltd. (“South Rock”), an infrastructure construction company in Alberta focusing primarily on the Southern Alberta roadbuilding market. Under the share purchase transaction, Aecon assumed South Rock’s existing debt of approximately \$9 million and paid cash of approximately \$35 million for all the outstanding shares of South Rock. Please see Note 26 “Subsequent Events” in the 2008 Annual Audited Financial Statements for additional details.

On February 1, 2009, the Company and Lockerbie & Hole Inc. (“Lockerbie”) entered into an agreement that contemplates the Company acquiring, by plan of arrangement, all of the issued and outstanding common shares of Lockerbie for total consideration of approximately \$220 million, to be satisfied in cash as to 75% of the total consideration and through the issuance by Aecon of common shares as to 25% of the total consideration (the “Lockerbie Acquisition”). Approximately 5.5 million common shares of the Company will be issued to complete the transaction. Closing is expected to occur in early April 2009, subject to regulatory approval, approval of Lockerbie’s shareholders, court approval and certain other conditions. Subject to completion of the Lockerbie Acquisition, the Company expects to file a business acquisition report within the timelines prescribed by National Instrument 51-102 *Continuous Disclosure Obligations*. Please see Note 26 “Subsequent Events” in the 2008 Annual Audited Financial Statements for additional details.

2.2 Outlook

Canada’s economic outlook as of the first quarter of 2009 is one of uncertainty. The instability in world equity and debt markets, which dominated the financial and business news in the fourth quarter of 2008, continues. The news from many of Canada’s key economic sectors including the auto sector, pulp and paper, and the oilsands continues to worsen.

Yet, Aecon’s outlook for 2009 is also impacted by a number of important positive factors, including the Company’s highest-ever year end backlog, a strong balance sheet and a bidding pipeline that remains robust.

These seemingly contradictory realities combine to form an outlook for Aecon that is characterized by strong fundamentals in most markets, within an environment of uncertainty. Adding to the series of conflicting trends are:

- Record levels of government investment in transportation infrastructure – with strong indications of more to come. Among the highest profile examples of this trend are the public transit build-out in Toronto, Ontario, a new border crossing at Windsor, Ontario, major bridge and power projects in British Columbia, and a number of transportation improvements in Alberta, from ring roads to light rail transit lines.
- A virtual halt to new capital spending in the oilsands, where the over-heated market of just six months ago has become stagnant, and where restart dates for many of the delayed projects remain uncertain.
- Continued strong capital spending on social infrastructure (from which Aecon recently gained another hospital project), as governments remain committed to their healthcare and education spending priorities.
- Forecasts that restricted credit markets and reduced demand would delay investment in new electrical generation capacity in Ontario have started to give way to growing optimism that the new Green Energy Act will result in substantial new investment in renewable power across the province.
- Growing demand for water and wastewater systems across the country, as under-investment in this infrastructure over the years has become problematic in many communities.

These trends have combined to produce near record year end backlog in Aecon’s Buildings and Infrastructure segments but a 35% decline in Aecon’s Industrial backlog from a year ago. Please see Item 3 below for a discussion of Aecon’s principal operating segments.

As such, the outlook for Aecon's Infrastructure segment remains strong. While the segment showed little profit growth in 2008, its backlog has strengthened significantly, with segment backlog at December 31, 2008 reaching \$470 million, 26% higher than at the same time in the preceding year. In addition, the substantial backlog added as a result of Aecon's acquisition of South Rock in January 2009, the strong new business awards in the utilities division (highlighted by the alliance with Enbridge Gas for utilities work in Ontario which does not form part of Aecon's backlog) and the continued strong bidding pipeline in transportation infrastructure, all bode well for strong results from this segment in 2009.

Similarly, record year end backlog of \$534 million in the Buildings segment is almost three times the level reported two years ago. This strong backlog growth and the significant upturn in profitability of the Buildings Toronto business unit are evidence that the turnaround in Buildings has taken hold. With most of the negative impact from the setback encountered in the segment's Montreal operations now behind the Company, the outlook for Aecon's Buildings segment remains strong.

In the Concessions segment, traffic continues to grow for both the Cross Israel Highway Project and the Quito Airport Project, although a close watch is being held for any potential fallout from the current economic turmoil. For the Cross Israel Highway Project, the realities of the current market have increased the likelihood that the asset will be held until improved market conditions allow the concession partners to realize full value. In respect of the Quito Airport Project, construction is progressing well and the project continues to proceed on track in a challenging economic and political environment.

The Industrial segment has driven much of Aecon's increased profitability over the last two years, with 37% revenue growth in 2007 and 54% revenue growth in 2008, complemented by even stronger growth in margins. This produced extraordinary results in the Industrial segment that are not expected to be matched in 2009, especially given the market conditions outlined above. Nonetheless, the contribution of Aecon's Industrial segment in 2009 is expected to remain significant.

Aecon's management believes that the Lockerbie Acquisition will, among other things, significantly increase Aecon's market share and presence in Western Canada, including the ongoing maintenance requirements of existing oilsands infrastructure, where Lockerbie is well positioned. In addition, Aecon's civil and utilities capabilities are expected to augment Lockerbie's water/wastewater and mining operations, and applying Aecon's strength in the power sector to Lockerbie's strong market presence in Western Canada could produce significant opportunities in that market as well.

Notably, the addition of Lockerbie's commercial mechanical business will further increase Aecon's backlog in the social infrastructure sector, adding an important western Canadian component to an already healthy social infrastructure backlog in Central and Eastern Canada.

Overall, notwithstanding the current economic and financial environment, management continues to believe that its record year end backlog and the relative durability of its Infrastructure and Buildings markets bode well for continued strong financial performance throughout 2009 and into 2010.

ITEM 3 DESCRIPTION OF THE BUSINESS

3.1 General

Company Overview

Aecon is Canada's largest publicly traded construction and infrastructure development company and has been active since 1910. Aecon provides services to both private and public sector clients across Canada and on a select basis internationally.

Aecon conducts its business in four principal operating segments – Infrastructure, Buildings, Industrial and Concessions.

Infrastructure

Aecon's Infrastructure segment, which accounted for approximately 39.4% of Aecon's consolidated revenues in fiscal 2008 (45% in fiscal 2007), includes all aspects of the construction of both public and private infrastructure. This includes roads and highways, as well as toll highways, dams, tunnels, bridges, airports, marine facilities, transit systems and hydroelectric power projects, primarily in Canada and, on a select basis, internationally. This segment also includes the mining, manufacture and supply of asphalt and aggregate products, and the construction and/or installation of utility distribution systems for natural gas, telecommunications and electrical networks, as well as water and sewer mains, traffic signals and highway lighting. The design and construction of the New Quito Airport project is included in the Infrastructure segment.

Buildings

Aecon's Buildings segment, which accounted for approximately 24.6% of Aecon's consolidated revenues in fiscal 2008 (25% in fiscal 2007), specializes in the construction and renovation of commercial, institutional and multi-family residential buildings, including hospitals, educational facilities, office buildings, industrial buildings, airport terminals, entertainment facilities, embassies, retail complexes and highrise condominium buildings among others. Work in this segment is concentrated primarily in Canada and the northwestern United States. Services include general contracting, fee for service construction management, design build services, building renovation, tenant fit up and facilities management.

Industrial

Aecon's Industrial segment, which accounted for approximately 32.6% of Aecon's consolidated revenues in fiscal 2008 (26% in fiscal 2007), encompasses all of Aecon's industrial construction and manufacturing activities including in-plant construction and module assembly in the energy, manufacturing, petrochemical, steel and automotive sectors. Activities in this segment include the construction of alternative, fossil fuel and cogeneration power plants, in-plant construction at nuclear power plants, the fabrication and module assembly of small diameter specialty pipe, and the design and manufacture of "once-through" heat recovery steam generators ("HRSGs") for industrial and power plant applications. Although activities in this segment are concentrated primarily in Canada, Aecon, through its subsidiary Innovative Steam Technologies Inc. ("IST"), sells HRSGs throughout the world.

Concessions

Activities within the Concessions segment, which accounted for approximately 3.4% of Aecon's consolidated revenues in fiscal 2008 (4% in fiscal 2007), include the development, financing and operation of infrastructure projects by way of build-operate-transfer, build-own-operate-transfer and other public-private partnership contract structures. This segment focuses primarily on the operation, management, maintenance and enhancement of investments held by Aecon in infrastructure concessions, which currently comprise investments in the Cross Israel Highway Project and Quito Airport Project concession companies. This segment includes the operations of the Highway 104 Toll Plaza in Atlantic Canada. This segment also has a development function whereby it monitors and, where appropriate, brings together the unique capabilities and strengths of Aecon and its strategic partners for the development of domestic and international public-private partnership concession projects in which Aecon may play a role as an investor, constructor and/or operator.

Industry Background and Trends

Construction

The construction industry is one of the largest in Canada. Construction is also among the most fragmented of Canada's large industries, with a significant portion of the market dominated by a large number of small, often family owned, businesses competing in very small geographic markets. As a result, it is not unusual for a highly successful company in one city or region to be totally absent from the market in a neighbouring city or region. Although Aecon has benefited from a trend toward consolidation in recent years (including the acquisitions discussed in Section 2.1 "Acquisitions and Divestitures"), the fragmented nature of the Canadian construction industry is deeply ingrained, both economically and politically, and is unlikely to change significantly in the foreseeable future.

Even among the larger firms in the industry – those with the ability to manage large projects and operate in a number of markets – most companies specialize in a small number of trades and tend to focus on just one, or in some cases two, sectors of the industry.

As such, it is common in Canada that a dominant firm in, for example, industrial construction does not compete at all in the roadbuilding or commercial construction sectors, just as the market leaders in those sectors do not compete outside of their defined specialty. Aecon, with its breadth of operations and its multidisciplinary capabilities and experience, is an exception.

Another factor important to the Canadian construction industry is the seasonal nature of the industry. The Canadian climate dictates that much of the construction work must be done in the late spring, summer and fall months. For this reason, construction firms in Canada tend to show operating losses in the first quarter of the year, with improved results in the second and especially third quarters. This seasonal pattern is reflected in employment levels within the industry and tends to increase the importance of a company's ability to manage its fixed costs, equipment and manpower.

In the broadest sense, the Canadian construction market is self-contained in that the large majority of construction work carried out in Canada is performed by Canadian firms. To the extent international competition is a factor, it has historically been limited to large infrastructure projects and is normally performed in concert with a Canadian subsidiary or local partner. This cooperation between Canadian firms and large international firms has begun to accelerate due to the increase in large infrastructure projects and the robust nature of the Canadian construction market.

Similarly, the vast majority of Canadian construction firms limit their focus to the Canadian market. While a small number of Canadian firms (including Aecon) have achieved success in markets outside Canada, once again this is the exception rather than typical practice. Most work done by Canadian firms in the international market is performed in the United States, where distance and cultural factors are minimal, or in emerging economies where local companies do not have the technical expertise or financing capacity to undertake significant projects.

The outlook for the Canadian construction industry over the next few years continues to be positive in those sectors focused on addressing Canada's infrastructure deficit (which benefit most from the various government fiscal stimulus packages), including the transportation infrastructure sector (both highways and public transit), the social infrastructure sector (especially hospitals) and the water/wastewater sector. This is generally in contrast to the weaker outlook in the country's industrial, commercial and residential sectors, where the current economic turmoil is expected to take its toll.

Infrastructure Development

In contrast to the fragmented and self contained Canadian construction industry, the infrastructure development business is becoming increasingly global in nature, dominated by a relatively small number of international firms with the capacity to develop very large projects.

The nature of the infrastructure development business has been dictated, to a large extent, by a number of important trends in recent years. Some of these trends have emerged from changing economic realities, others from political judgements made by governments. Taken together, however, these trends tend to reinforce one another in the impact they have had on the infrastructure development business.

Many large infrastructure projects, which in the past would have been owned and developed by governments, are today developed through some form of public-private partnership ("PPP"). These partnerships take many shapes, fashioned both by the nature of the project and by the political climate in the host jurisdiction and require the participants to be creative and responsive to the specific requirements relating to a project. In some cases, the result may be complete privatization of the asset, while in other cases it may be a fixed price design build-operate-transfer contract. In all cases, however, PPPs represent a shift in responsibility, scope and risk away from government and towards the private sector as governments move from their traditional role of owner, developer and manager of infrastructure to more of an oversight and regulator role.

The changed role for government can be politically sensitive or even controversial in some instances. For this reason, the general trend towards PPPs seen elsewhere in the world has, until recently, been constrained from time to time in the Canadian context by a hesitance on the part of some governments to move forward with what may be perceived as a politically risky initiative. However, in the past few years a number of provinces including British Columbia, Alberta, Ontario and Québec have made significant commitments to PPPs and/or other alternative financing models.

This approach to infrastructure development provides returns to participating companies in three ways: development income, construction income and operating income. Typically, development income is derived from development fees paid at the time the contract is awarded and from a return on invested equity generated from distributions of free cash flow (after payment of operating, capital and other project costs and after payment of interest and principal on project financing). Construction income is earned primarily in the first few years of a project by those members of the consortium (and subcontractors) providing design and construction services to the project. Finally, operating income is earned by those providing operational services to the project over the life of the contract, often 25 - 30 years or longer.

Business Strategy

Aecon's strategy is to continue to be a leading provider of construction and infrastructure development services in Canada. Core elements of this strategy are discussed below, the combination of which the Company believes is unique to the construction industry in Canada.

a) Operational Diversity

Aecon's operational diversity as well as broad revenue and client base allows it to capitalize on opportunities in a variety of sectors within the industry while mitigating the effects of a cyclical downturn in any one sector. The diverse nature of Aecon's operations also provides it with cross-selling opportunities and allows it to participate in projects beyond the scope of any one discipline or division. Further, interdivisional cooperation allows for synergies and cost savings across the Company through economies of scale and resource sharing. A concerted effort is underway to maximize the benefits of operational diversity, including the significant level of vertical integration Aecon has built into its operations especially in the Infrastructure and Industrial segments. It is anticipated that this focus on diversity will be further enhanced by the Lockerbie Acquisition.

As a result of its operational diversity, Aecon is not substantially dependent on any single client, contract or service. On a going forward basis, no single client is currently expected to account for more than ten per cent (10%) of revenues in a given year. Nevertheless, the loss of any of its largest customers could impact Aecon's results. Management is not aware of any pending renegotiation or termination of an existing contract that would have a material adverse impact although in the current economic climate there can be no assurances in this regard. Please see Section 3.2 "Risk Factors – Contractual Factors" for additional details.

b) Focus on Energy, Transportation and Social Infrastructure Sectors

Notwithstanding its operational diversity, Aecon has developed a strategic focus on the energy, transportation and social infrastructure markets. In the energy sector, Aecon is especially well positioned in Ontario's power sector (including nuclear) and Alberta's oilsands. In the transportation infrastructure sector, Aecon has a long history building highways, bridges, public transit and airports especially in Ontario where it is the market leader but increasingly in Alberta, where the recent acquisition of South Rock will add to Aecon's growing market share. In the social infrastructure sector, Aecon's strong presence in the hospital and university markets is anticipated to be significantly enhanced by the acquisition of Lockerbie, whose commercial mechanical business in Western Canada is among the market leaders.

c) Focus on our Core Canadian Market

While international projects have often been important sources of revenue and income for Aecon over the years, Aecon's core market (and its primary business development focus) continues to be projects in the Canadian construction market. The strong prospects within Canada in the following years are expected to sustain the focus on the Canadian market. In addition to having a positive impact on bid costs and corporate focus, this increased concentration on the Canadian market should also serve to lower Aecon's risk profile. Notable exceptions to Aecon's focus on the Canadian market are its Buildings operation in the Northwest U.S., the worldwide marketing of its once-through steam turbines by IST, as well as the Cross Israel Highway and Quito Airport projects, all of which remain key elements of Aecon's operations.

d) Focus on People

Over the last several years, competition in Canada for skilled workers, engineers and project managers has been intense, particularly in Alberta (especially prior to the recent downturn in the oilsands). Although in the short term current economic conditions may lessen competition, in the long term, as Canada's work force ages, competition for skilled workers is unlikely to abate to a significant degree given the market forces driven by government infrastructure spending and the reality of the aging workforce within the construction sector. In this environment, Aecon's ability to attract, develop and retain quality employees is a critical component of its long term success. Aecon operates in what is essentially a service industry, where the quality and effectiveness of its employees will drive its long term success. As such, Aecon's focus on investing in its people and remaining an employer of choice is continually being strengthened, with increased emphasis at both the corporate and divisional levels on recruitment, training and development of a 'learning culture' throughout the Company. Aecon has been recognized by the Globe and Mail as one of the 50 best companies to work for in Canada in each of the last two years and one of the 10 best in 2009. Please see Section 3.2 "Risk Factors - Loss of Key Management; Inability to Attract and Retain Key Staff" for a further discussion of the challenges in this area.

e) Divisional Autonomy

While some elements of the Company's operations (such as certain management and control aspects of the treasury, insurance, risk management, legal, safety, human resources and information technology functions) are centralized, Aecon's operational model is based largely on the ability of each individual division to manage its area of responsibility with relative autonomy. In this way, divisional managers, who are the closest to their markets, are able to apply their industry expertise with maximum effectiveness. The Company's incentive plan rewards divisional managers with incentives based primarily on division results and is intended to facilitate the recruitment of qualified people.

f) Industry Innovator

The construction and infrastructure development industry has experienced several important changes in recent years including, a trend toward alliances, outsourcing, PPPs and an increase in large projects requiring expertise in a variety of disciplines. The resulting importance within the industry of a company's ability to develop and manage innovative relationships and alliances has created opportunities for innovative companies.

Aecon placed an early and high priority on the development of these skills, enabling it to capitalize on a number of the emerging opportunities created by these trends. Initiatives included: development of customer alliances featuring open book 'target based pricing' to improve efficiencies; establishment of partnerships to pursue infrastructure development and other projects and; creation of project alliances to enhance Aecon's ability to deliver large and/or complex civil construction projects. As a result, Aecon has established itself as a Canadian leader in innovative supplier of choice agreements, alliances and project development arrangements.

Other examples of Aecon's innovative approach include its unique once through steam generator design using proprietary technology for heat recovery steam generators, and the establishment of a materials engineering group to provide quality testing and research services. More recent innovations include the addition of an Enhanced Oil Recovery product to the IST product line, expertise the Aecon Buildings division has developed in environmentally sustainable LEED building, and the use of satellite and GPS based technology for certain construction equipment and highway vehicles to improve performance, track location and reduce fuel consumption.

g) Continued Growth

Although Aecon's strategy is to grow organically and geographically, acquisitions have been an integral component of the Company's growth. In 2007, Aecon acquired The Karson Group, one of the largest aggregate, asphalt and civil construction companies in eastern Ontario, and Leo Alarie and Sons Construction Ltd., one of the largest construction companies in northern Ontario. In January 2009, the Company completed the acquisition of South Rock, an infrastructure construction company in Alberta focusing primarily on the Southern Alberta roadbuilding market. The Company anticipates completing the acquisition of Lockerbie, one of the largest mechanical construction contractors in Canada, in April 2009. Please see Section 2.1 "Acquisitions and Divestitures" for additional details relating to these acquisitions.

Business Operations

For additional details regarding the Company's 2008 results of each of the principal operating segments, please see the Company's 2008 Management's Discussion and Analysis of Operating Results and Financial Condition filed under the Company's SEDAR profile at www.sedar.com.

a) Infrastructure

Infrastructure is Aecon's largest operating segment by revenue and includes all aspects of the development and construction of infrastructure. These include roads and highways, dams, tunnels, airports, marine facilities, transit systems and hydroelectric power projects, as well as the mining, manufacture and supply of asphalt and aggregate products, and the construction/installation of utility distribution systems, water and sewer mains, traffic signals and highway lighting. Aecon conducts its Infrastructure operations through a number of wholly owned subsidiaries and business units as well as through a number of joint ventures.

Aecon's primary areas of business in the Infrastructure segment are outlined below.

Roadbuilding

One of Aecon's longstanding core businesses is the provision of road and bridge construction services for both the private and public sectors. Since its predecessors began building roads in 1929, Aecon has become one of the largest roadbuilders in Ontario. Aecon's key clients in this area are provincial and municipal governments, primarily in Ontario (where Aecon has over the years constructed, expanded and maintained thousands of miles of roads, bridges and highways) but increasingly in Alberta where Aecon has established a strong presence over the past three years.

Other important clients for these services are: the Government of Canada and its agencies for whom Aecon builds and maintains airport runways, marine facilities and similar infrastructure; commercial developers to whom Aecon provides site development services such as subdivision grading, parking facilities and roads; and transportation providers such as 407ETR and GO Transit, which operates public commuter transit in the Greater Toronto Area.

The majority of Aecon's work in the roadbuilding and maintenance sector is won through low bid unit price or fixed-price contracts.

Heavy Civil Construction

In addition to its roadbuilding activities, Aecon also provides heavy civil construction services in Canada and, on a select basis, internationally. These services include civil works construction of airports, bridges, tunnels, toll roads, expressways, dams and hydro power developments.

Aecon's experience in heavy civil construction includes international projects such as the Cross Israel Highway Project and the Quito Airport Project, and domestic ones such as the Eastmain Project in Quebec, a series of large trunk sewer tunnel projects north of Toronto, and in Toronto, the Portlands Energy Centre and parts of the Sheppard Subway system. Most of Aecon's work in the heavy civil construction sector is obtained through fixed-price tenders or design-build contracts and is normally carried out through joint ventures or as subcontracts.

Utilities Construction

Aecon is one of Canada's largest utilities contractors with expertise in a wide variety of underground utilities work including installation and maintenance of gas distribution lines, cable, fibre optic and telecommunications lines as well as the installation of hydroelectric power distribution systems and the construction of water and sewer lines. Major clients for these services include gas and electric utilities, cable companies, telephone companies and municipalities.

Aecon has also developed specific expertise in traffic signal systems, traffic management systems, high mast highway lighting and inset lighting for airport runways.

Most utilities construction work is traditionally awarded on a fixed-price basis, with compensation based on the units of work performed. However, Aecon has introduced a successful new 'client alliance' model based on open book cost reimbursable work with fees earned upon the achievement of client savings and other performance targets, with a growing portion of its utilities work being performed under these or similar arrangements.

Aecon also provides certain specialized design engineering services in this sector.

Construction Products and Materials Engineering

Aggregates are the key material used in roadbuilding and serve as raw material for the production of asphalt and concrete. The aggregates produced at these facilities are used in Aecon's own activities and sold to third parties.

Aecon operates a number of permanent and mobile asphalt plants across Ontario that produce a secure, cost effective supply of asphalt for Aecon job sites. These provide a competitive advantage in securing new contracts for asphalt intensive projects. The plants also provide a source of revenue and profit from the sale of asphalt materials to third parties. In addition, Aecon owns production rights at a number of aggregate properties in Ontario.

Aecon operates its own full service materials testing facility to provide quality control and materials testing for its operations in Ontario and Alberta. In addition to serving Aecon's own needs, the facility provides an additional revenue source for the Company as its services are sold to other contractors and materials suppliers.

(b) Buildings

The Buildings segment includes all of Aecon's work in the construction and renovation of commercial, institutional and multi-unit residential buildings. Aecon's focus in this segment is primarily in southern and eastern Ontario, southern Quebec, the lower mainland of British Columbia, Atlantic Canada and the Northwest United States through offices in Toronto, Montreal, Ottawa, Halifax, Vancouver and Seattle. Aecon has also operated in this segment, on a select basis, in markets outside of North America.

Markets in the Buildings segment in which Aecon has developed specific expertise include commercial and retail construction, airport construction, institutional construction such as educational facilities, court houses and entertainment facilities such as theatres and casinos. Increasingly, Aecon's focus in the Buildings segment has been in the social infrastructure market, including hospitals, universities and similar public buildings. In urban markets, Aecon has developed an expertise in the growing demand for commercial renovation and retrofit services.

Aecon's U.S. Buildings operations are managed through a wholly owned subsidiary, Aecon Buildings, Inc., incorporated in the State of Washington, while its British Columbia operations are managed through Aecon's 49% participation in Scott Management Inc., located in Vancouver. Buildings operations in Quebec are managed through Aecon Bâtiments, a division of Groupe Aecon Québec Ltée. The Buildings operations in Atlantic Canada are managed through Aecon Atlantic.

General Contracting

On many projects in the Buildings segment, Aecon operates as a general contractor, providing clients with a lump sum fixed price for the project. In these cases, Aecon normally subcontracts most work elements to other contractors who are managed by Aecon throughout the course of the project. This results in much of the risk being transferred to the subcontractors, albeit this also typically results in lower margin returns for work in this sector.

Construction Management

In other cases, Aecon works on a fee for service basis in a construction management role, managing, on behalf of the client, work performed by a number of contractors whose contractual arrangements are often directly with the client. Construction management contracts generally involve less risk than work as a general contractor and they are becoming an increasingly larger strategic focus for this operating segment.

(c) Industrial

The Industrial segment encompasses all of Aecon's industrial construction and industrial manufacturing activities. Activities include cogeneration plants, in-plant construction primarily in the manufacturing, energy and nuclear sectors but also in the petrochemical, steel and automotive sectors as well as module assembly for the oil and gas sector, the fabrication of specialty pipe, and the design and manufacture of once-through heat recovery steam generators for industrial and power plant applications.

Although activity in this segment is concentrated primarily in Canada through offices in Cambridge, Ontario, Edmonton, Alberta and Dartmouth, Nova Scotia, Aecon sells and installs once-through steam generators worldwide through IST.

Construction

Aecon's industrial construction activities are focussed primarily on in-plant construction and maintenance for clients undergoing plant modifications and upgrades as well as new plant construction. This work includes platform construction and assembly as well as the installation and maintenance of specialized industrial systems and equipment. Aecon self-performs its work in the piping, electrical and mechanical trades.

Aecon has established a primary focus on the power sector where its construction capabilities include nuclear, fossil and hydroelectric generation and natural gas cogeneration facilities. In addition, Aecon provides industrial construction services in the automotive, petrochemical, steel, metals processing and natural gas industries.

Fabrication

Aecon's pipe fabrication business, which started as a value-added service for its industrial construction clients, has grown to the point where Aecon is now one of Canada's largest fabricators of specialized industrial pipe.

From its Ontario facility in Cambridge, Aecon provides specialized process piping, modules and related components to the power, natural gas, petrochemical, automotive and other industries throughout Ontario. Its facility in Edmonton is focussed on serving the major energy projects in Western Canada, principally in the oilsands of northern Alberta where the Lockerbie Acquisition will considerably strengthen Aecon's capabilities. Its Dartmouth and Pictou facilities in Nova Scotia focus on serving the Atlantic Canada market.

Steam Generators

Aecon's participation in the steam generator business is through its 100% interest in IST which designs and manufactures once-through heat recovery steam generators that recover the heat produced by the exhaust from gas turbines and, through a patented once-through technology, uses this heat to create high purity, super-heated steam.

This steam is primarily used for the production of additional power through a steam turbine or to re-inject into the gas turbine to increase efficiency and reduce emissions. The units, designed primarily for use with 5 to 65 megawatt gas turbines, can increase a simple cycle power plant's generation efficiency by up to 30%. IST has also recently added an Enhanced Oil Recovery product to capitalize on the trend toward the SAGD method of oil extraction, especially in the oilsands. Historically, the protection of intellectual property has not been a material issue with respect to the overall operation of Aecon's business. For additional information, please see Section 3.2 "Risk Factors - Protection of Intellectual Property and Proprietary Rights".

IST's competitive success and advantage result from the innovative design features of its units, which offer a more cost effective alternative to traditional heat recovery steam generators, with lower maintenance costs, shorter installation times and smaller footprint or area required than other products on the market.

(d) Concessions

Aecon Concessions brings the special and diverse capabilities and strengths within the Aecon group and its strategic partners to the development of domestic and international public-private partnership projects in which Aecon plays a role as an investor, constructor and/or operator.

Since entering the infrastructure development business in 1990 through its participation in the redevelopment of the Prague International Airport in the Czech Republic, Aecon has established itself as a leader in the Canadian infrastructure development industry. Aecon's successful infrastructure development initiatives include the 407ETR Toll Highway in Toronto, Ontario, the Highway 104 Cobequid Pass Toll Road in Nova Scotia, the Cross Israel Highway and the Quito Airport in Ecuador.

Aecon's two current concession interests are the Quito Airport concession in Ecuador (outlined in more detail in Section 3.1 "Major Projects") and the Cross Israel Highway, a US\$1.2 billion electronic toll highway in Israel. Aecon holds a 25% interest in Derech Eretz Highways (1997) Ltd. ("Derech Eretz"), the company holding concession rights for the Cross Israel Highway. The Cross Israel Highway spans approximately 86 kilometres from south of Tel Aviv northward to Hedera. A northward extension of approximately 18 kilometres is under construction.

(e) Major Projects

Aecon is currently involved in the design or construction stage of four projects whose construction value exceeds \$150 million. These projects are the Quito Airport in Ecuador, the Georgia Hotel in Vancouver and in Ontario, the Bruce Power Nuclear Generating Station and the Upper Mattagami Hydroelectric Project.

The New Quito Airport

Aecon holds a 42.3% effective economic interest in the New Quito Airport concession through its interest in Quiport JV. In 2002, Quiport JV was awarded the concession to design, build, finance and operate a new airport in Quito, Ecuador and to operate the Existing Quito Airport until the new airport opens. The New Quito Airport concession has been in full effect since January 2006. Financial close for construction of the new US\$414 million airport took place in the second quarter of 2006. Construction of the New Quito Airport began in July 2006 and at December 31, 2008 was approximately 33% complete.

The Georgia Hotel

Through Scott Construction Group in which Aecon has a 49% stake, Aecon is carrying out a \$200 million renovation and new construction project in downtown Vancouver, involving restoration of the historic Georgia Hotel and construction of an adjacent 49-storey commercial/residential tower. The expected completion date of the hotel renovation is November 2009 and of the tower is November 2011.

The Bruce Power Project

Aecon is a 50% partner in a joint venture which has secured a \$250 million contract at the Bruce Power 'Bruce A' nuclear generating station in Ontario. The contract is part of Bruce Power's refurbishment and restart of Units 1 and 2. The work will take approximately three and a half years to complete. At the end of 2008, this contract was approximately 74% complete.

The Upper Mattagami Hydroelectric Project

Aecon has a 20% interest in a \$215 million design/build hydroelectric contract with Ontario Power Generation on the Upper Mattagami River in Northern Ontario. The project involves the construction of three generating stations and dam rehabilitation at Wawatin, Sandy Falls and Lower Sturgeon near Timmins, and at Hounds Chute near Cobalt. The expected completion date is October 2011.

Environmental

Aecon is subject to federal, provincial and municipal environmental legislation in all of its manufacturing and construction operations in the jurisdictions in which it operates. In any given year, Aecon performs work on hundreds of job sites of varying size and duration in many different jurisdictions and as such is subject to a wide range of environmental laws. Environmental risk is assessed in a variety of ways as outlined below.

Aecon recognises that it must conduct all of its business in such a manner to both protect and preserve the environment as well as comply with applicable statutory requirements. At each place where work is performed, Aecon develops and implements a detailed quality control plan as the primary tool to demonstrate and maintain compliance with all environmental regulations and conditions of permits and approvals. All Aecon employees at a supervisor role or higher are required to complete on an annual basis "Red Book" training, an internal training session which includes conventional safety training, occupational health and safety as well as environmental training. In addition, Aecon's Code of Conduct (the "Code") identifies environmental protection as a fundamental corporate value. The Code states that each Aecon employee has a role to play in ensuring that Aecon's business complies with existing legislation and is consistent with sound environmental management as well as the principles of sustainable development. Employees are expected to report any environmental concerns to the Safety or Legal Departments. Any issues raised are included in quarterly reports which are provided to both the senior management team and the Board of Directors. Most of Aecon's work is completed pursuant to alliance agreements, purchase orders or project specific contracts. These contracts typically assign responsibility for known and unknown environmental risk. Where Aecon accepts risk for environmental liability, an appropriate contingency is included in the contract price. Projects of significant value that have unusual risk are evaluated by Aecon's Project Risk Committee. Historically, the costs of environmental compliance have either been covered in the contract price or have been non-material. Nevertheless, there can be no guarantee that a material liability will not arise. Based on these quarterly reports, management is not aware of any pending environmental legislation or violations of existing environmental legislation which would be likely to have a material impact on any of Aecon's operations, capital expenditure requirements or competitive position. See Section 3.2 "Risk Factors - Environmental and Safety Factors" for additional details.

With respect to Asset Retirement Obligations, the fair value of the estimated future legal obligations for rehabilitation costs associated with the retirement of pits and quarries utilized in aggregate mining operations is recognized as a liability when incurred. A corresponding increase in the carrying amount of the related asset is recorded and depreciated over the life of the asset. The liability is accreted over time through annual charges to earnings and is reduced by actual rehabilitation costs. The amount of the liability is subject to remeasurement at each reporting period and is subject to changes in regulatory requirements and cost estimates. For a more detailed discussion, please see Note 13 to the 2008 Annual Audited Financial Statements of Aecon filed on SEDAR.

Employees

Aecon had 993 full time salaried employees and 3,564 hourly employees as at December 31, 2008, for a total of 4,557 employees. This number is not indicative of the total number of employees at any time throughout the year as the construction industry is seasonal in nature, with little work performed in the winter and early spring months. At its peak operating capacity level during 2008, Aecon employed approximately 6,600 full-time and part-time employees, including nearly 1,100 salaried employees. None of the Company's full-time salaried employees are unionized. Aecon recruits its hourly worker labour pool on an 'as needed' basis consistent with the relevant union contracts and traditional hiring practices. These employees are laid off upon the completion of the job they were working on unless transferred to another job. Management believes that its relationship with its employees is generally excellent.

Aecon's management expects that following the Lockerbie Acquisition, Aecon will employ approximately 7,500 people during peak construction, consisting of approximately 1,500 full-time salaried employees and approximately 6,000 hourly employees.

3.2 Risk Factors

The following risk factors should be considered carefully. These risk factors could materially and adversely affect Aecon's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Current Global Financial Conditions

Recent events in global financial markets have had a profound impact on global, North American and Canadian economies. Many industries have been impacted by the changes in market conditions to varying degrees. Some of the key impacts of the current financial market turmoil include contraction in credit markets and resulting widening of credit risk as well as enhanced volatility in commodity, equity and foreign exchange markets. A continued or worsened slowdown in financial markets or other economic conditions, including without limitation, constraints in credit or surety markets, a sustained slump in economic activity in the Alberta oilsands, the availability of private and public sector funding for infrastructure projects, pressure on margins arising from an altered competitive landscape or an increased risk of corporate bankruptcy in the markets in which Aecon operates, may adversely affect the Company in ways which are impossible to predict as of the date hereof given the unprecedented nature of the current crisis.

Large Project Risk

A substantial portion of Aecon's revenues is derived from large projects, some of which are conducted through joint ventures. These projects provide opportunities for large revenue and profit contributions but can occasionally result in significant losses.

Joint ventures are typically formed to undertake a specific project, jointly controlled by the partners and are dissolved upon completion of the project. Aecon selects its joint venture partners based on a variety of criteria including relevant expertise, past working relationships as well as analysis of prospective partners' financial and construction capabilities. Joint venture agreements spread risk between the partners and they generally state that companies supply their proportionate share of operating funds and that they share profits and losses in accordance with specified percentages. Nevertheless, each participant in a joint venture is usually liable to the client for completion of the entire project in the event of a default by any of its partners. Therefore, in the event that a joint venture partner fails to perform its obligations due to financial or other difficulties, Aecon may be required to make additional investments or provide additional services which may reduce or eliminate profit, or even subject Aecon to significant losses with respect to the joint venture.

Opportunities for Aecon to compete for large projects do not occur regularly. As a result, Aecon's ability to successfully compete for these opportunities and the length of time required to execute these projects are not predictable, and therefore the Company may experience periods of irregular or reduced revenues. In fact, since the completion of the Cross Israel Highway and Nathpa Jhakri Projects, Aecon has not undertaken construction of a similar large project with the exception of the Quito Airport Project, which commenced in 2006.

The recording of the results of large project contracts can distort revenues and earnings on both a quarterly and an annual basis and can, in some cases, make it difficult to compare the financial results between reporting periods.

As described more fully in Notes 11 and 15 to the 2008 Annual Audited Financial Statements, Aecon has a number of commitments and contingencies. If Aecon was called upon to honour these obligations, its financial results would be adversely affected.

The Nathpa Jhakri Project in India, although now complete, incurred significant delays in respect of which the joint venture, in which Aecon has a 45% interest, submitted requests for extensions of contract time as well as claims for significant compensation arising from the costs of delays. The joint venture has submitted for arbitration various claims against the owner, Satluj Jal Vidyut Nigam Ltd. ("SJVN") (formerly Nathpa Jhakri Power Corporation Limited), the most significant of which is to cover the joint venture's cost of extra work and delays related to these same matters. In 2005, the joint venture was advised by SJVN of its intention to levy liquidated damages against the joint venture for alleged delay damages resulting from not completing the contract on time. 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 believes that these claims for liquidated damages are unsubstantiated, unwarranted and without legal merit. Currently, no provision has been made for liquidated damages, nor has any amount been recognized for potential recoveries under the claims. This treatment is in accordance with the Company's accounting policy, which is to recognize revenues from claims only when resolved. The arbitration process is nearly complete and a decision on the second of two major claims is expected in 2009. For further information, please refer to Note 15 to the 2008 Annual Audited Financial Statements. In the event the joint venture is unsuccessful in its claims for additional compensation and request for extension of contract time, the joint venture could be faced with potential liquidated damages claims by SJVN for which the Company is jointly and severally liable. If such possible claims were to materialize and be successful, the financial results and the financial position of Aecon would be adversely affected.

In addition, as at December 31, 2008, the Company had outstanding guarantees and letters of credit totalling approximately \$12 million in support of financial and performance related obligations for the Nathpa Jhakri Project. If such guarantees were to be called upon and/or if Aecon was not able to collect its undistributed profits, Aecon's financial results and its financial position would be adversely affected. Construction of the Nathpa Jhakri Project is fully complete and the warranty period has expired.

In connection with the Cross Israel Highway Project, the Company has provided two joint and several guarantees: (i) a continuous guarantee, which guarantees the performance of the concessionaire in which the Company has a 25% interest; and (ii) a leakage guarantee, which is a guarantee by the operator of the toll highway (in which the Company has a 30.6% interest) 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. If such guarantees were to be called upon, the financial results and the financial position of Aecon would be adversely affected.

In addition, a significant portion of Aecon's capital (approximately \$42 million as at December 31, 2008) is invested, directly or indirectly, in the Cross Israel Highway Project. As a result, any material diminution in the value of the Cross Israel Highway Project would adversely affect the financial results and condition of the Company.

Aecon is a partner with Hochtief Construction AG ("Hochtief AG") in a joint venture that constructed a hydroelectric facility in northern Québec for Société d'énergie de la Baie James, a subsidiary of Hydro-Québec, known as the Eastmain Project. The Eastmain Project, although complete, incurred extra costs, primarily because of customer changes to the original contract scope. The Company is currently in litigation with Hydro-Québec seeking a recovery of these extra costs. The Company believes that it has adequate reserves included in the carrying value of its accounts to cover potential non-recoveries that may arise from this project.

The Company holds a 42.3% effective economic interest in the Quiport JV, an Ecuadorian company whose main operations consist of: (a) managing and operating the Existing Quito Airport until its operations are transferred to a new airport; and (b) the development, financing, construction, operation and maintenance of the New Quito Airport under a concession arrangement with CORPAQ.

On January 27, 2006, Quiport JV assumed control of Existing Quito Airport operations and on June 28, 2006 financial close was achieved and the first tranche of financing was advanced by the senior lenders to the project. The construction contract for the new airport was signed on June 22, 2005, and the formal construction commencement date was July 12, 2006. The New Quito Airport is being constructed under a 51-month fixed-price Engineer-Procure-Construct contract signed between CORPAQ and Canadian Commercial Corporation ("CCC"), a Crown agency of the Canadian government. CORPAQ assigned the construction contract to Quiport JV. CCC subcontracted 100% of the construction work to the Company as its Canadian supplier, which then subcontracted 100% of the construction work to a 50/50 joint venture consisting of the Company and Brazil's Construtora Andrade Gutierrez (the "Construction JV"). The Company is the managing partner of the Construction JV.

More specifically as it relates to the Quito airport concessionaire, as with other private concessions in Ecuador, the Quito Airport Project came under heightened scrutiny by the new Federal administration. Along with this scrutiny came a series of public criticisms by the administration against the Municipality of Quito, primarily directed at the lack of contribution by the Municipality, through the airport project, towards a national airport modernization program, as well as a recommendation by the State Comptroller's office that the Municipality should renegotiate the Quito airport concession contract.

While there is no indication thus far that the administration intends to take any unilateral action that would run contrary to the contracts that Aecon and its partners have in place, the political environment reconfirms that the project and related investments are occurring in a country in which there is elevated political risk and uncertainty generally. Therefore, political risk may adversely impact the project's financial performance and its overall financial viability, and the value of Aecon's investment in the Quito airport concessionaire (Quiport JV) could ultimately be impaired.

In connection with the Quito Airport Project, the Company has made equity investments and provided letters of credit in support of its remaining equity obligations and for various project contingencies. These letters of credit are supported by guarantees issued on behalf of the Company to the issuing banks by Export Development Canada ("EDC") and will remain in place until its equity obligations are fulfilled and the conditions giving rise to the contingencies are satisfied or cleared. Please refer to Note 11 in the 2008 Annual Audited Financial Statements. In addition, the Company and Andrade Guitierrez have provided surety bonds, guaranteed joint and severally, to cover construction and concession related performance obligations, an advance payment bond and a retention release bond; in each case, the Company's share is supported by guarantees issued by EDC. If Aecon was called upon to honour these obligations, or should the project incur significant cost overruns, its financial results and position would be adversely impacted. For further information on the Quito Airport Project, please refer to Note 5 in the 2008 Annual Audited Financial Statements.

Due to the current political climate in Ecuador and the impact of the current global economic climate, Quiport JV may not be able increase airport charges to the degree permitted by the concession contracts, which may ultimately impair the reported value of concession rights related to the Existing and New Quito Airport.

The failure to replace the revenue generated from these large projects on a going forward basis could adversely affect Aecon.

Concessionaire Risk

In addition to its work providing design, construction, procurement, operation and other services on a given project, Aecon will sometimes also invest in the infrastructure asset itself as a concessionaire. In such instances, Aecon assumes a degree of risk (essentially equity risk) associated with the financial performance of the asset during the concession period. The Cross Israel Highway Project and the Quito Airport Project are two current examples of such projects.

The financing arrangements on concession projects such as these are typically based on a set of projections regarding the cash flow to be generated by the asset during the life of the concession. The ability of the asset to generate the cash flows required to provide a return to the concessionaire can be influenced by a number of factors, some of which are partially beyond the concessionaire's control, such as, among others, political or legislative changes, traffic demand and thus operating revenues, collection success and operating cost levels.

While project concession agreements often provide a degree of risk mitigation (for example, through minimum traffic guarantees in the case of the Cross Israel Highway Project), and insurance products are available to limit some of the concession risks, the value of Aecon's investment in these infrastructure assets can be impaired, and certain limited risk guarantees can be called, if the financial performance of the asset does not meet certain requirements.

On a going forward basis, a sustained global economic slump may, directly or indirectly, impact the ability of Aecon to make the necessary financing arrangements to pursue all of the concession opportunities it would otherwise be interested in.

Oilsands

Recent delays, scope reductions and/or cancellations in previously announced or anticipated projects in the Alberta oilsands demonstrate that economic activity in the oilsands may be impacted by a variety of factors including: the current global economic crisis; the fluctuation in world oil prices; cost overruns on announced projects; fluctuations in the availability of skilled labour; lack of sufficient governmental infrastructure to support growth; the potential introduction of new “green” legislation and a shortage of sufficient pipeline capacity to transport production to major markets. A sustained period of low world oil prices may result in material differences in previously projected oilsands development. Postponements or cancellations of investment in existing and new projects could have an adverse impact on Aecon’s business and financial condition.

Integration Risk

As noted in Section 2.1 “Acquisitions and Divestitures”, over the last several years Aecon has acquired several businesses and is in the process of completing the acquisition of Lockerbie, a large publicly traded mechanical infrastructure contractor. The integration of any acquisition raises a variety of issues including, without limitation, identification and execution of synergies, elimination of cost duplication, systems integration (including accounting and information technology), execution of the pre-deal business strategy in an uncertain economic market, development of common corporate culture and values, integration and retention of key staff, retention of current clients as well as a variety of issues that may be specific to Aecon and the industry in which it operates. There can be no assurance that Aecon will maximize or realize the full potential of any of the acquisitions outlined herein. A failure to successfully integrate these acquisitions and execute a combined business plan could materially impact the future financial results of Aecon.

International/Foreign Jurisdiction Factors

Aecon is from time to time engaged in large international projects in foreign jurisdictions. International projects such as the Nathpa Jhakri Project in northern India, the Cross Israel Highway Project in Israel and the Quito Airport Project in Ecuador can expose Aecon to risks beyond those typical for its activities in its home market, including without limitation economic, geopolitical, geotechnical, military, repatriation of undistributed profits, currency and foreign exchange risks, and other risks beyond the Company’s control including the duration and severity of the impact of the current global economic crisis.

Aecon continually evaluates its exposure to unusual risks inherent in international projects and, where deemed appropriate in the circumstances, mitigates these risks through specific contract provisions, insurance coverage and forward exchange agreements. However, there are no assurances that such measures would offset or materially reduce the effects of such risks.

Foreign exchange risks are actively managed and hedged where possible and considered cost effective, when directly tied to quantifiable contractual cash flows accruing directly to Aecon within periods of one or two years. Major projects executed through joint ventures generally have a longer term and result in foreign exchange translation exposures that Aecon has not hedged. Such translation exposure will have an impact on Aecon’s consolidated financial results. Practical and cost effective hedging options to fully hedge this longer term translational exposure are not generally available to Aecon.

Aecon's investment in Derech Eretz is denominated in New Israeli Shekels ("NIS") and, as such, the value of this investment fluctuates with changes in the relationship between the Canadian dollar and NIS. Similarly, although much less significant, Aecon's investments in India and Israel (other than its investment in Derech Eretz), which primarily represent undistributed profits from its now completed construction projects in these countries, are denominated in foreign currencies (mostly NIS, Rupees and United States dollars) and the value of these investments fluctuates as the value of the Canadian dollar changes relative to the values of these foreign currencies. For further information on currency risk, please refer to Note 22 in the 2008 Annual Audited Financial Statements.

Contractual Factors

Aecon performs construction activities under a variety of contracts including lump-sum, fixed price, guaranteed maximum price, cost reimbursable and design build. Some forms of construction contracts carry more risk than others.

Historically, a substantial portion of Aecon's revenue is derived from lump sum contracts pursuant to which a commitment is provided to the owner of the project to complete the project at a fixed price ("Lump Sum") or guaranteed maximum price ("GMP"). In Lump Sum and GMP projects, in addition to the risk factors of a unit price contract (as described below), any errors in quantity estimates or schedule delays or productivity losses, for which contracted relief is not available must be absorbed within the Lump Sum or GMP, thereby adding a further risk component to the contract.

Aecon is also involved in fixed unit price construction contracts under which the Company is committed to provide services and materials at a fixed unit price (e.g. dollars per tonne of asphalt or aggregate). While this shifts the risk of estimating the quantity of units to the contract owner, any increase in Aecon's cost over the unit price bid, whether due to estimating error, inefficiency in project execution, inclement weather, inflation or other factors, will negatively affect Aecon's profitability.

In certain instances, Aecon guarantees to a customer that it will complete a project by a scheduled date or that the facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or performance standards, Aecon could incur additional costs or penalties commonly referred to as liquidated damages. Although Aecon attempts to negotiate waivers of consequential or liquidated damages, on some contracts the Company is required to undertake such damages for failure to meet certain contractual provisions. Such penalties may be significant and could impact Aecon's financial position or results of future operations. Furthermore, schedule delays may also reduce profitability because staff may be prevented from pursuing and working on new projects. Project delays may also reduce customer satisfaction which could impact future awards.

Aecon is also involved in design-build contracts where, in addition to the responsibilities and risks of a unit price or lump sum construction contract, Aecon is responsible for certain aspects of the design of the facility being constructed. This form of contract adds the risk of Aecon's liability for design errors as well as additional construction costs that might result from such design errors.

Certain of Aecon's contractual requirements may also involve financing elements, where Aecon is required to provide one or more letters of credit, performance bonds, financial guarantees or equity investments. In light of both the actual and potential impact of the current economic situation on the credit and surety markets throughout the world, there can be no assurance that Aecon will be able to obtain the necessary financing on favourable or commercially reasonable terms and conditions for such equity investments, nor that its available working capital and bonding facilities will be adequate in order to issue the required letters of credit and performance bonds. Further uncertainty in the credit and surety markets may, for reasons wholly unrelated to the business, affairs or results of the Company, impact the ability of Aecon to raise sufficient project based securities and financial instruments to pursue all of the opportunities in which it would otherwise be interested.

Change orders, which modify the nature or quantity of the work to be completed, are frequently issued by clients. Final pricing of these change orders is often negotiated after the changes have been started or completed. Until pricing has been agreed, these change orders are referred to as "unpriced change orders." Revenues from unpriced change orders are recognized to the extent of the costs incurred on executing the change order, or if lower, to the extent to which recovery is probable. Only when pricing is agreed is any profit on such change orders recognized. If, ultimately, there are disputes with clients on the pricing of change orders or disputes regarding additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions, Aecon's accounting policy is to record all costs for these changes but not to record any revenues anticipated from these disputes until actually resolved, even though the Company may believe that full compensation from clients is probable. The timing of the resolution of such events can have a material impact on income and liquidity and thus can cause fluctuations in the revenue and income of Aecon in any one reporting period.

Economic Factors

Aecon's profitability is closely tied to the general state of the economy in those geographic areas in which it operates. More specifically, the demand for infrastructure, which is the principal component of Aecon's operations, is perhaps the largest single driver of the Company's growth and profitability.

In North America, which tends to have relatively sophisticated infrastructure, Aecon's profitability is dependent both on the development, rehabilitation and expansion of basic infrastructure (such as, among others, highways, airports, dams and hydroelectric plants) and on the type of infrastructure that flows from commercial and population growth. Commercial growth demands incremental facilities for the movement of goods within and outside of the community, along with water and sewer systems and heat, light and power supplies. Population growth creates a need to move people to and from work, schools and other public facilities, and demands similar services to new homes. Since growth in both these areas, with the possible exception of road maintenance and construction, is directly affected by the general state of the local economy, a prolonged economic crisis in the markets in which Aecon operates or related constraints on public sector funding may have a significant impact on Aecon's operations.

Internationally, Aecon is involved with the development of basic infrastructure, particularly in developing countries. As such, the Company's growth and profitability from this work depends largely on the pace of growth in these foreign jurisdictions and the ability of these countries to allow for the arrangement of long-term financing, which may, on a going forward basis, be impacted or constrained by the effects of the current global economic crisis.

Ongoing Financing Availability

Aecon's business strategy involves the selective growth of its operations through internal growth and acquisitions. Certain of Aecon's operating segments, particularly its Infrastructure and Industrial segments, require substantial working capital during their peak busy periods. As these businesses grow, Aecon is continually seeking to enhance its access to funding in order to finance the higher working capital associated with this growth. However, from time to time, Aecon is constrained in its ability to capitalize on growth opportunities to the extent that financing is either insufficient or unavailable. It is too early to ascertain whether the current economic situation will alter, either in 2009 or beyond, the ability of Aecon to raise sufficient financing to execute its short and long-term strategy.

Access to Bonding and Pre-qualification Rating

Many of Aecon's construction contracts require either sufficient bonding or pre-qualification rating. The surety industry has undergone significant consolidation in recent years, which has constrained overall industry capacity. The surety industry has also endured a certain degree of instability and uncertainty arising from the economic crisis, the long-term effects of which, if any, are difficult to predict. Furthermore, the issuance of bonds under surety facilities is at the sole discretion of the surety company. Although the Company believes it will be able to continue to maintain surety capacity adequate to satisfy its requirements, should those requirements be materially greater than anticipated, or should sufficient surety capacity not be available for reasons related to the current crisis or otherwise or should the cost of bonding rise substantially (whether Aecon specific or industry wide), this may have a material adverse effect on the ability of Aecon to operate its business or take advantage of all market opportunities.

Insurance Risk

Aecon maintains insurance in order to both satisfy the requirements of its various construction contracts as well as a corporate risk management strategy. Insurance products from time to time experience market fluctuations that can impact pricing and availability. Therefore, senior management, through Aecon's insurance broker, monitors developments in the insurance markets to ensure that the Company's insurance needs are met. Although Aecon has been able to meet its insurance needs, there can be no assurances that Aecon will be able to secure all necessary or appropriate insurance on a going forward basis. Failure to do so could lead to uninsured losses or limit Aecon's ability to pursue some construction contracts, both of which could impact results.

Environmental and Safety Factors

Unfavourable weather conditions represent one of the most significant uncontrollable risks for Aecon. Construction projects are susceptible to delays as a result of extended periods of poor weather, which can have an adverse effect on profitability arising from either late completion penalties imposed by the contract or from the incremental costs arising from loss of productivity, compressed schedules, or from overtime work utilized to offset the time lost due to adverse weather.

During its history, Aecon has experienced a number of incidents, emissions or spills of a non-material nature in the course of its construction activities. Although none of these environmental incidents to date have resulted in a material liability to the Company, there can be no guarantee that any future incidents will also be of a non-material nature.

Aecon is subject to and complies with federal, provincial and municipal environmental legislation in all of its manufacturing and construction operations. Aecon recognizes that it must conduct all of its business in such a manner as to both protect and preserve the environment in accordance with this legislation. At each place where work is performed, Aecon develops and implements a detailed quality control plan as the primary tool to demonstrate and maintain compliance with all environmental regulations and conditions of permits and approvals. Management is not aware of any pending environmental legislation that would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position, although there can be no guarantee that future legislation (including without limitation the introduction of “green” legislation that may impact segments of Aecon’s business such as work in Alberta’s oilsands) will not be proposed, and if implemented, it may have a material impact on the Company and its financial results.

Aecon is also subject to and complies with health and safety legislation in all of its operations in the jurisdictions in which it operates. The Company recognizes that it must conduct all of its business in such a manner as to ensure the protection of both its workforce and the general public. Aecon has developed a comprehensive health and safety plan and is proud of its record in this regard. Nevertheless, given the nature of the industry, accidents will inevitably occur from time to time. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or accidents. Please see Section 3.1 “Environmental” for additional details.

Litigation Risk

Disputes are common in the construction industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. In view of the quantum of the amounts claimed and the insurance coverage maintained by the Company in respect of these matters, management of the Company does not believe that any of the legal actions or proceedings that are presently known or anticipated by the Company is likely to have a material adverse effect on the Company’s financial position. However, there is no assurance that the Company’s insurance arrangements will be sufficient to cover any particular claim or claims that may arise in the future. Furthermore, the Company is subject to the risk of claims and legal actions for various commercial and contractual matters, primarily arising from construction disputes, in respect of which insurance is not available. Although as of the date hereof, Aecon has not seen a material shift, there can be no guarantee that one of the byproducts of the current economic crisis will not be a rise in litigation which, depending on the nature of the litigation, could impact Aecon’s results. Please see Item 8 “Legal Proceedings” for additional details.

Internal and Disclosure Controls

Inadequate disclosure controls or internal controls over financial reporting could result in material misstatements in the financial reporting or public disclosure record of Aecon. Inadequate controls could also result in system downtime, give rise to litigation or regulatory investigation, fraud or the inability of Aecon to continue its business as presently constituted. Aecon has implemented procedures (including the formation of an internal audit department) and a variety of policies to evaluate and maintain adequate disclosure and internal controls.

Labour Factors

A significant portion of Aecon's labour force is unionized and accordingly, Aecon is subject to the detrimental effects of a strike or other labour action, in addition to competitive cost factors.

The Company's future prospects depend to a significant extent on its ability to attract sufficient skilled workers. The construction industry is faced with an increasing shortage of skilled labourers in some areas and disciplines. The resulting competition for labour in markets, such as Fort McMurray, Alberta (which may be lessened by the decline in the price of oil and current market conditions), may limit the ability of the Company to take advantage of opportunities otherwise available or alternatively may impact the profitability of such endeavours on a going forward basis. The Company believes that its union status, size and industry reputation will help mitigate this risk but there can be no assurance that the Company will be successful in identifying, recruiting or retaining a sufficient number of skilled workers.

Cyclical Nature of the Construction Business

Fluctuating demand cycles are common in the construction industry and can have a significant impact on the degree of competition for available projects. As such, fluctuations in the demand for construction services or the ability of the private and/or public sector to fund projects in the current economic climate could adversely affect backlog and margin and thus Aecon's results.

Dependence on the Public Sector

A significant portion of Aecon's revenues is derived from contracts with various governments or their agencies. Consequently, any reduction in demand for Aecon's services by the public sector whether from traditional funding constraints, the impact of the current economic crisis (including future budgetary constraints or an eroding tax base), changing political priorities, change in government or delays in projects caused by the election process would likely have an adverse effect on the Company if that business could not be replaced from within the private sector.

Large government sponsored projects typically have long and often unpredictable lead times associated with the government review and political assessment process. The time delays and pursuit costs incurred as a result of this lengthy process, as well as the often unknown political considerations that can be part of any final decision, constitute a significant risk to those pursuing such projects.

Potential Fluctuation in Financial Results

Aecon's quarterly and annual financial results may be impacted by a variety of factors including, without limitation: the recognition of revenue from existing large project contracts; the opportunity to compete for new large projects; costs or penalties associated with unanticipated delays in project completion; fluctuations in the general economic and business conditions in the markets in which Aecon operates, which may impact pricing levels of its services; actions by governmental authorities including government demand for the services provided by Aecon; government regulations and the associated expenditures required to comply with regulations; labour action involving Aecon's unionized workers; seasonal or materially adverse weather conditions; the risk associated with the use of lump sum and guaranteed maximum price contracts; geopolitical risks in the foreign jurisdictions in which Aecon operates as well as risk associated with foreign currency and exchange rates; and other circumstances affecting revenue and expenses. Aecon's operating expenses are incurred throughout the year. As a result, if expected revenues are not realized as anticipated, there may be significant variations in Aecon's quarterly and annual financial results.

Loss of Key Management; Inability to Attract and Retain Key Staff

The Company's future prospects depend to a significant extent on the continued service of its key executives and staff. Furthermore, the Company's continued growth and future success depends on its ability to identify, recruit, assimilate and retain key management, technical, project and business development personnel. The competition for such employees, particularly during periods of high demand in certain sectors, is intense and there can be no assurance that the Company will be successful in identifying, recruiting or retaining such personnel.

Adjustments in Backlog

There can be no assurance that the revenues projected in Aecon's backlog at any given time will be realized, or if realized, that they will perform as expected with respect to margin. Projects may from time to time remain in backlog for an extended period of time prior to contract commencement, and after commencement may occur unevenly over current and future earnings periods. Project suspensions, terminations or reductions in scope do occur from time to time in the construction industry due to considerations beyond the control of a contractor such as Aecon and may have a material impact on the amount of reported backlog with a corresponding impact on future revenues and profitability. The current global economic crisis may lead to more project delays, reductions in scope and/or cancellations such as those experienced in the oilsands in the last quarter of 2008 and first quarter of 2009. A sustained economic slump may negatively affect the ability of the Company to replace its existing backlog which may adversely impact results.

Risk of Non-Payment

Credit risk of non-payment with private owners under construction contracts is to a certain degree minimized by statutory lien rights which give contractors a high priority in the event of foreclosures as well as progress payments based on percentage completion. However, there is no guarantee that these measures will in all circumstances mitigate the risk of non-payment from private owners and a significant default or bankruptcy by a private owner may impact results. The current economic crisis may give rise to a greater incidence of default (including cash flow problems) or corporate bankruptcy of clients, subcontractors or suppliers which could also impact results.

Credit risk is typically less with public (government) owners, who generally account for a significant portion of Aecon's business, as funds have generally been appropriated prior to the award or commencement of the project. Please see "Dependence on the Public Sector" in this Section 3.2 for additional discussion of the risks associated with this type of contract.

Tax Accrual Risks

Aecon is subject to income taxes in both Canada and numerous foreign jurisdictions. Significant judgment is required in determining the Company's worldwide provision for income taxes. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although Aecon believes its tax estimates are reasonable, there can be no assurance that the final determination of any tax audits and litigation will not be materially different from that reflected in historical income tax provisions and accruals. Although management believes it has adequately provided for any additional taxes that may be assessed as a result of an audit or litigation, the occurrence of either of these events could have a material adverse effect on the Company's current and future results and financial condition.

During 2001, the Company received federal income tax reassessments relating to deductions claimed by predecessor companies between 1993 and 1999. The reassessments, which disallow previously claimed Canadian development expense (“CDE”) deductions, amounted to \$10.6 million. Provincial income tax reassessments related to the disallowed CDE deductions and received to date amount to \$0.8 million. Although the Company has filed Notices of Objection, it was required to pay 50% of the federal assessed amounts and 100% of the Ontario provincial assessed amounts pending resolution of the objections. At December 31, 2008, the Company had paid a total of \$5.4 million as a result of these assessments. To-date, the Canada Revenue Agency has not responded to the Notices of Objection. The total potential federal and provincial reassessments, including income taxes, interest and penalties could be up to \$19.3 million. The Company believes it has adequate income tax provisions to cover the ultimate outcome of these reassessments.

Reputation in the Construction Industry

Reputation and goodwill play an important role in the long-term success of any company in the construction industry. Negative opinion may impact long-term results and can arise from a number of factors including competence, questions concerning business ethics and integrity, corporate governance, the accuracy and quality of financial reporting and public disclosure as well as the quality and timing of the delivery of key products and services. Aecon has implemented various procedures and policies to help mitigate this risk including the adoption of a comprehensive Code of Conduct which all employees are expected to review and abide by.

Aecon Operates in a Highly Competitive Industry

Aecon carries on businesses in highly competitive product and geographic markets in Canada, the United States and internationally. Aecon competes with other major contractors as well as many mid-size and smaller companies across a range of industry segments. Each has its own advantages and disadvantages relative to Aecon. New contract awards and contract margin are dependent on the level of competition and the general state of the markets in which we operate. Fluctuations in demand in the segments in which we operate may impact the degree of competition for work. Competitive position is based on a multitude of factors including pricing, ability to obtain adequate bonding, backlog, financial strength, appetite for risk, and reputation for quality, timeliness and experience. Aecon has little control over and cannot otherwise affect these competitive factors. If the Company is unable to effectively respond to these competitive factors, results of operations and financial condition will be materially impacted. In addition, a prolonged economic slump may adversely affect one or more of Aecon’s competitors or the markets in which it operates, resulting in increased competition in certain market segments, price or margin reductions or decreased demand for services, which may adversely affect results.

Increases in the Cost of Raw Materials

The cost of raw materials represents a significant component of Aecon’s operating expenses. As contractors are not always able to pass such risks on to their customers, unexpected increases in the cost of raw materials may negatively impact the results of the Company’s operations. The global availability of basic construction materials such as cement and steel has at times in recent years been impacted by the massive requirements of the Asian market which has resulted in price fluctuations, price escalation and periodic supply shortages. Periods of high demand or the failure to anticipate or mitigate demand fluctuations may add a significant risk to many vendors and subcontractors, some of whom have responded by no longer guaranteeing price or availability on long-term contracts which has in turn increased the risk for contractors who are not always able to pass this risk on to its customers.

Subcontractor Performance

The profitable completion of some contracts, primarily within Aecon's Buildings division, depends to a large degree on the satisfactory performance of the subcontractors who complete different elements of the work. If these subcontractors do not perform to accepted standards, Aecon may be required to hire different subcontractors to complete the tasks, which may add additional costs to a contract, may impact profitability on a specific job, and in certain circumstances, lead to significant losses. The challenges created by the recent economic crisis may also give rise to an increased risk of subcontractor default. A major subcontractor default could materially impact results.

Protection of Intellectual Property and Proprietary Rights

The Company, particularly through its subsidiary IST, depends, in part, on its ability to protect its intellectual property rights. Aecon relies primarily on patent, copyright, trademark and trade secret laws to protect its proprietary technologies. The failure of any patents or other intellectual property rights to provide protection to Aecon's technologies would make it easier for competitors to offer similar products, which could result in lower sales or gross margins.

The Company's trademarks and trade names are registered in Canada and the United States and the Company intends to keep these filings current and seek protection for new trademarks to the extent consistent with business needs. The Company relies on trade secrets and proprietary know-how and confidentiality agreements to protect certain of its technologies and processes.

In addition, IST holds a number of patents on its once-through heat recovery system. Nevertheless, there remains a threat of others attempting to copy IST's proprietary technology and processes. To mitigate this risk, the normal business practice of IST includes the signing of confidentiality agreements with all parties to which confidential information is supplied including all customers and licensees.

ITEM 4 DIVIDENDS

Prior to October 2007, Aecon had a dividend policy whereby declaration of a dividend would be considered by the Board of Directors and declared as applicable each year at the time of the review and release of the annual financial statements of the Company. The decision to declare a dividend and the size of the dividend was determined each year based on the financial performance, liquidity considerations and other appropriate business factors of Aecon. Pursuant to this policy, the Company did not declare a dividend in 2005 and 2006.

On October 29, 2007, the Board of Directors announced a policy to commence semi-annual dividend payments in the amount of \$0.07 per common share (\$0.14 annually). The first dividend payment was paid on January 2, 2008 to holders of record on November 30, 2007. In connection with the approval of the 2007 year end financial results on March 4, 2008, the Board of Directors announced an increase in the dividend payable to holders of common shares. Annual dividends increased to \$0.20 per share, paid in four quarterly payments of \$0.05 per share. The first quarterly dividend payment was paid on April 2, 2008 to holders of record on March 19, 2008. As announced on June 30, 2008, on a go forward basis quarterly dividends will be paid on the first business day of each quarter to shareholders of record on the date that is ten calendar days prior to the payment date. All subsequent dividends have been paid in accordance with the announced policy.

ITEM 5
DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of common shares. As at March 30, 2009, there were 50,899,290 outstanding common shares and options to acquire an aggregate of 1,989,318 common shares. Included in the reported number of common shares outstanding are 691,366 shares (as of December 31, 2008) held by the trustee of Aecon's long term incentive plan. Please see Note 16 to the 2008 Annual Audited Financial Statements for additional details.

In connection with the Lockerbie Acquisition that is anticipated to close in early April 2009, Aecon anticipates issuing approximately 5.5 million common shares of the Company in partial consideration of the total purchase price of \$220 million. Please see Section 2.1 "Acquisitions and Divestitures" and Note 26 "Subsequent Events" in the 2008 Annual Audited Financial Statements for additional details.

Holders of common shares are entitled to receive notice of all meetings of shareholders of the Company, to attend such meetings and to cast one vote per common share at all such meetings. Holders of common shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of the majority of the common shares entitled to vote in any election of directors may elect all directors standing for election. Historically, the Board of Directors has been elected as a slate but on a go forward basis, shareholders will vote for directors on an individual basis.

Holders of common shares are entitled to receive ratably such dividends, if any, as and when declared by the Board of Directors at its discretion from funds legally available therefore and upon the liquidation, dissolution or winding-up of the Company are entitled to receive ratably the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or ratably with the holders of the common shares with respect to dividends or liquidation. The common shares do not by their terms carry any pre-emptive, subscription, redemption or conversion rights.

ITEM 6
MARKET FOR SECURITIES

6.1 Trading Price and Volume

The common shares of the Company are listed and posted for trading on the TSX under the trading symbol "ARE". The following table sets forth, for the periods indicated, the reported high and low trading prices and the aggregate volume of trading of the common shares on the TSX.

MONTH	HIGH (\$)	LOW (\$)	VOLUME
March 2009 ⁽¹⁾	9.85	8.05	6,892,051
February 2009	10.63	8.61	4,084,396
January 2009	11.89	9.79	6,923,504
December 2008	11.05	7.80	9,559,686
November 2008	9.45	5.69	8,211,552
October 2008	11.58	5.81	12,195,118
September 2008	16.90	10.17	5,268,886
August 2008	17.75	13.69	5,137,319
July 2008	16.70	13.85	5,581,376
June 2008	17.00	14.90	9,326,933
May 2008	17.00	14.81	6,976,449
April 2008	18.25	15.43	8,751,078
March 2008	19.10	15.89	8,696,620
February 2008	17.55	14.59	8,750,530
January 2008	23.30	15.18	8,902,691

⁽¹⁾ For the period from March 1, 2009 to March 30, 2009.

Source: The Toronto Stock Exchange Monthly Review

6.2 Prior Sales

The Company did not sell any securities in the fiscal year ending December 31, 2008 that were not listed on the TSX.

ITEM 7
DIRECTORS AND OFFICERS

7.1 Name and Occupation

Directors

The names, municipalities of residence and principal occupations of the directors of Aecon are set out below. Each director will hold office until the next annual meeting of shareholders set for June 16, 2009 or until a successor is elected or appointed.

Name and Municipality of Residence	Office Held and Occupation	Year Became Director
SCOTT C. BALFOUR Oakville, Ontario	President and Chief Financial Officer of the Company	1995
JOHN M. BECK Toronto, Ontario	Chairman and Chief Executive Officer of the Company	1963
AUSTIN C. BEUTEL Toronto, Ontario	Chairman, Oakwest Corporation Limited	2005
MICHAEL A. BUTT Maple, Ontario	Chairman and Chief Executive Officer, Buttcon Limited	1994
JOHN A. DICICURCIO ⁽¹⁾ Chicago, Illinois	Executive Vice- President, Turner Construction Company	2004
ANTHONY P. FRANCESCHINI ⁽²⁾ Edmonton, Alberta	President and CEO Stantec	2009
J.D. HOLE ⁽³⁾ Edmonton, Alberta	Chairman, Lockerbie & Hole Inc.	2009 ⁽³⁾
ROLF KINDBOM Georgetown, Ontario	President, Kindbom Consulting Inc.	2000
The HON. BRIAN V. TOBIN, P.C. Manotick, Ontario	Senior Business Advisor, Fraser Milner Casgrain LLP	2005
ROBERT P. WILDEBOER Milton, Ontario	Executive Chairman, Martinrea International Inc., an automotive manufacturing company; Vice Chairman of the Company	1993

Notes: ⁽¹⁾ Mr. DiCiurcio will not stand for re-election at Aecon's annual meeting of shareholders scheduled for June 16, 2009.

⁽²⁾ Mr. Franceschini was appointed to the Board on March 3, 2009.

⁽³⁾ Following and subject to the completion of the Lockerbie Acquisition, Mr. Hole will be appointed a director of the Company.

Committees of the Board of Directors

The members of the Audit Committee as of December 31, 2008 were Michael Butt (Chair), Austin Beutel and the Hon. Brian V. Tobin. No changes have occurred as of the date of this AIF.

The members of the Human Resources and Compensation Committee as of December 31, 2008 were Robert Wildeboer (Chair), Michael Butt and the Hon. Brian V. Tobin. No changes have occurred as of the date of this AIF.

There is no Executive Committee of the Board of Directors.

Biographies of Directors

Scott C. Balfour is President and Chief Financial Officer of Aecon. He has executive responsibility for all aspects of the Corporation's operations. Mr. Balfour has been a member of the Board of Directors of Aecon since 1995 and has been with Aecon since 1994. Prior to joining Aecon, Mr. Balfour had an extensive career in corporate banking at a number of major financial institutions. Mr. Balfour has an HBBA from Wilfrid Laurier University and an MBA from the Richard Ivey School of Business, University of Western Ontario.

John M. Beck is Chairman of the Board and Chief Executive Officer of Aecon and is a leader in the Canadian construction industry. He also serves as Chairman of Derech Eretz Operator and of Canadian Highways Infrastructure Corporation. Mr. Beck has been a member of the Board of Directors since 1963. Mr. Beck also serves as Chairman of the Board of the Ontario Power Authority and as a director of the Canadian Council for Public Private Partnerships. A graduate in Civil Engineering from McGill University, Mr. Beck has more than 40 years of experience in the construction industry in Canada and internationally. His background includes corporate leadership in numerous construction activities including heavy civil projects such as bridges, highways, airport infrastructure, precast concrete manufacturing as well as buildings, commercial and industrial projects, and public-private partnerships for the development of infrastructure, such as airports and toll roads.

Austin C. Beutel is the Chairman of Oakwest Corporation Limited, a private investment holding company. Mr. Beutel again became a member of the Aecon Board of Directors in 2005 after having served previously on the Board from 1989 to 1993 and 1997 to 2000. Mr. Beutel retired in 1994 as Chairman of Beutel Goodman and Company Ltd., an investment counseling firm, which he co-founded in 1967. He is the non-executive Chairman of the Equitable Group Inc. and a director of Accord Financial Corp., Astral Media Inc. and Opta Minerals Inc. Mr. Beutel has a B. Comm. (McGill) and MBA (Harvard). He is also a Chartered Financial Analyst.

Michael A. Butt is the Chairman and CEO of Buttcon Limited ("Buttcon"), general contractors. Mr. Butt has been a member of the Board of Directors since 1994. He started his career in the construction industry in the 1960s with Mitchell Construction where he rose to managing director and was a member of the steering committee of the Mitchell Construction Kinear Moodie Group. He founded M.A. Butt Construction Limited in 1973 and Buttcon Limited in 1979. Mr. Butt has a Bachelor of Applied Science in Civil Engineering from the University of Toronto. Mr. Butt is a former Director of both the Ontario General Contractors Association ("OGCA") and the Canadian Construction Association ("CCA") and served as Chairman of the OGCA in 1998 and as Chairman of the CCA in 1999. Shortly after the transfer in 1996 of Pearson Airport from the Federal Government to the Greater Toronto Airports Authority, Mr. Butt was elected Chairman of the Board of Directors and remained in that capacity until December 2004. Mr. Butt was appointed a member of the Board of Governors for Trent University in July 2005. Michael was appointed a member of the Board of Trustees for the Bermuda Institute of Ocean Sciences in May 2006 and is Chairman of the Facilities Committee. The Canadian Society for Civil Engineering honoured Mr. Butt with the distinction of Fellow in May 2006.

John DiCiurcio joined the Board of Directors in 2004. He currently serves as Executive Vice-President for Turner Construction Company, a leading construction company in the United States, where he has responsibility for several business units throughout the country. He also serves on Turner's Leadership Team focused on company-wide strategy and policy. Mr. DiCiurcio has been in the construction business and with Turner for 27 years. He has a B.S.C.E. in Civil Engineering from Rutgers University and attended the Kellogg School of Management at Northwestern University. As noted above, Mr. DiCiurcio will not stand for re-election at Aecon's upcoming annual meeting of shareholders.

Tony Franceschini joined the Board of Directors in March 2009. Mr. Franceschini is a graduate of the civil engineering program at the University of Waterloo and has established an accomplished career in the consulting engineering and design industry. Since 1998, Mr. Franceschini has served as President and CEO of Stantec Inc. ("Stantec"), a TSX listed issuer specializing in providing professional consulting services in, among others, planning, engineering, architecture, interior design, project management and project economics for infrastructure and facilities projects. Mr. Franceschini joined Stantec in 1978 and saw the company grow into a 10,000-person professional services firm under his leadership. Mr. Franceschini is on the Board of Directors of Stantec. He also serves as a director of Esterline Technologies Corporation, a manufacturer in the aerospace/defense market, ZCL Composites Inc., a manufacturer of fiberglass tank systems, and CCI Thermal Technologies Inc., a manufacturer of industrial heating and filtration systems.

J.D. Hole, as noted above, will become a director of Aecon following the closing of the acquisition of Lockerbie by the Company. Mr. Hole graduated with a Bachelor of Engineering Science degree from the University of Western Ontario in 1967 and joined Lockerbie as a Project Manager in 1969. During his career with Lockerbie, Mr. Hole worked in various positions and helped lead Lockerbie into new territories and markets, including the industrial and municipal market sectors. Mr. Hole was the President and Chief Executive Officer of Lockerbie from 1994 to April 2005 and during that time played an integral part in Lockerbie's growth and prosperity. As of the date hereof, Mr. Hole is the Chairman of Lockerbie's board of directors (and will resign as part of the Lockerbie Acquisition) and a director of the Alberta Shock Trauma Air Rescue Society.

Rolf Kindbom is a professional engineer and President of Kindbom Consulting Inc., a consulting company in Toronto. Mr. Kindbom has been a member of the Board of Directors of Aecon since 2000. He has more than 45 years of international business and project management experience in construction, commercial real estate and infrastructure development including private-public partnerships in senior executive management positions with the Skanska Group of Sweden and Cathay International Ltd. of Hong Kong. Mr. Kindbom is also a member of the Arbitration and Mediation Institute of Ontario. Mr. Kindbom has a Master of Science in Civil Engineering from the Royal Technical University in Stockholm, Sweden (1961).

The Honourable Brian V. Tobin, P.C. is Senior Business Advisor at the national law firm of Fraser Milner Casgrain LLP. He is currently a member of a number of public company boards including New Flyer Industries where he serves as Chairman. He is Vice-Chairman of Consolidated Thompson Iron Mines Limited and serves as a director of Lions Gate Entertainment Corp. Mr. Tobin is also a director of Canpages Inc., CommerceTel Canada Corp., Kruger Inc. and Marport Deep Sea Technologies Inc. Mr. Tobin is a former Member of Parliament and a former Member of the Newfoundland and Labrador House of Assembly. Mr. Tobin's political career spanned twenty-two years from 1980 to 2002. Mr. Tobin is a former Premier of Newfoundland and Labrador, former Federal Minister of Industry and former Federal Minister of Fisheries and Oceans.

Robert P. Wildeboer is the Executive Chairman of Martinrea International Inc., a manufacturer of quality metal parts, assemblies and modules and fluid management systems focused primarily on the automotive sector, where he focuses on the strategic direction and development of the company as a member of the Senior Executive team. He is the Vice Chairman of Aecon and a member of the Board of Directors since 1993. He is counsel to the law firm Wildeboer Dellelce LLP, which he co-founded in 1993. Mr. Wildeboer has extensive experience in the areas of corporate and securities law and has participated in a broad range of securities and related transactions, including public and private financings for both start-ups and mature companies, mergers and acquisitions, take-over bids, proxy fights and defences thereto, and derivative products transactions. Mr. Wildeboer has a B.A. from the University of Guelph, an LL.B. from Osgoode Hall Law School, an MBA from York University and an LL.M. from Harvard University. He is also a director or officer of several private charitable organizations, private companies, the Auto Parts Manufacturers Association, the Canadian Automotive Partnership Council, and is a member of the Science, Technology and Innovation Council of Canada and the Ontario Manufacturing Council.

Executive Officers

The names, municipalities of residence and titles of the Executive Officers of Aecon are:

Name and Municipality of Residence	Office
John M. Beck, Toronto, Ontario	Chairman and Chief Executive Officer
Scott C. Balfour ⁽¹⁾ , Oakville, Ontario	President and Chief Financial Officer
Bruce Fleming, Oakville, Ontario	Vice-President, Information Technology and Chief Information Officer
Gerry Kelly, Toronto, Ontario	Senior Vice-President, Finance
Paul Koenderman, Campbellville, Ontario	Executive Vice-President and CEO, Aecon Industrial
Teri McKibbon, Oakville, Ontario	Executive Vice-President and CEO, Aecon Infrastructure
Steven N. Nackan, Thornhill, Ontario	President, Aecon Concessions
Gordon L. Panas ⁽²⁾ , Edmonton, Alberta	Executive Vice-President and Chief Financial Officer
J. Mitchell Patten, Milton, Ontario	Senior Vice-President, Corporate Affairs
Frank Ross ⁽³⁾ , Halifax, Nova Scotia	President, Aecon Buildings
L. Brian Swartz, Markham, Ontario	Senior Vice-President, Legal and Commercial Services

Notes: ⁽¹⁾ Subject to the completion the Lockerbie Acquisition, Scott C. Balfour will cease to be Chief Financial Officer but will continue in his role as President and Director of Aecon.

⁽²⁾ Subject to the completion of the Lockerbie Acquisition, Gordon L. Panas, Lockerbie's current President and Chief Executive Officer, will join Aecon as Executive Vice-President and Chief Financial Officer.

⁽³⁾ On March 2, 2009, Mr. Ross replaced Mr. McDonald as President of Aecon Buildings. Mr. Ross previously served as President of Aecon Atlantic Group and Aecon Fabco.

Biographies of Executive Officers

Scott C. Balfour is currently President and Chief Financial Officer of Aecon. Subject to the completion of Aecon's acquisition of Lockerbie, Mr. Balfour will cease to be the Chief Financial Officer but will continue as President of Aecon. He has executive responsibility for all aspects of the Corporation's operations. Mr. Balfour has been a member of the Board of Directors of Aecon since 1995 and has been with Aecon since 1994. Prior to joining Aecon, Mr. Balfour had an extensive career in corporate banking at a number of major financial institutions. Mr. Balfour has an HBBA from Wilfrid Laurier University and an MBA from the Richard Ivey School of Business, University of Western Ontario.

John M. Beck is Chairman of the Board and Chief Executive Officer of Aecon and is a leader in the Canadian construction industry. He also serves as Chairman of Derech Eretz Operator and of Canadian Highways Infrastructure Corporation. Mr. Beck has been a member of the Board of Directors since 1963. Mr. Beck also serves as Chairman of the Board of the Ontario Power Authority and as a director of the Canadian Council for Public Private Partnerships. A graduate in Civil Engineering from McGill University, Mr. Beck has more than 40 years of experience in the construction industry in Canada and internationally. His background includes corporate leadership in numerous construction activities including heavy civil projects such as bridges, highways, airport infrastructure, precast concrete manufacturing as well as buildings, commercial and industrial projects, and public-private partnerships for the development of infrastructure, such as airports and toll roads.

Bruce Fleming is the Chief Information Officer of the Aecon group of companies. He is responsible for aligning the Information Technology services to the needs of the business and stewarding the introduction of new initiatives that will enhance Aecon's overall business capabilities. Mr. Fleming has been actively involved in planning and execution of construction projects for over 20 years. This experience has included a wide range of major Canadian and international projects. Over the past 10 years, Mr. Fleming has focused his efforts on leveraging technology to enhance overall project efficiency and business performance. The success of his initiatives was recognized publicly in 2003 when Mr. Fleming was selected as Canada's CIO of the year by CIO Canada Magazine. Mr. Fleming is a professional engineer and holds a BAsC (Civil) from the University of Waterloo and an MBA from York University. He joined Aecon in 2008.

Gerry Kelly is Senior Vice-President, Finance of Aecon and is responsible for financial reporting, budgeting, taxation, treasury functions, internal control and IT. He has experience in all aspects of financial management and control having held senior financial positions at Canadian Pacific and Marathon Realty. His most recent position prior to joining Aecon in 2001 was as Chief Financial Officer at ProFac Facilities Management Services Inc., a subsidiary of SNC-Lavalin. Mr. Kelly is a Chartered Accountant and has a B. Comm. (Honours) degree from University College Dublin.

Paul P. Koenderman is Executive Vice-President, Aecon Group Inc. and CEO, Aecon Industrial Group. Mr. Koenderman has extensive experience in the industrial sector, serving in senior positions in the power generation field as well as the petro-chemical and pulp and paper industries. He was President of Babcock & Wilcox Canada for over ten years and spent five years in the Babcock & Wilcox U.S. operations, where he became Senior Vice-President and Group Executive of the Power Generation Group responsible for all of the Babcock & Wilcox U.S. operations. He graduated from the University of Waterloo with a degree in Mechanical Engineering in 1971 and completed an Executive MBA program at Northeastern University in Boston in 1981.

Teri McKibbon is Executive Vice-President and CEO of Aecon Infrastructure Group. Mr. McKibbon has been involved with the management of construction-related companies for 25 years including founding, acquiring and integrating companies and the overall management of companies that are active in all aspects of infrastructure construction. Awarded the Canadian Construction Association's Gold Seal Project Manager Certification in 1997, Mr. McKibbon is also on the Aecon-Lafarge Caledon Board of Directors, the Aecon-Alarie Joint Venture Executive Board, the Utility Contractors Association of Ontario Board of Directors and the Ontario Roadbuilders Association Board of Directors. Mr. McKibbon attended Carleton University's Geology as well as Integrated Science and Economics programs and has been with Aecon since 1996.

Steven N. Nackan is the President of Aecon Concessions and is responsible for Aecon's infrastructure development and concession management activities. Prior to joining Aecon in 2002, Mr. Nackan worked for the global law firm of White & Case LLP, advising government agencies, banks and industry in the development, implementation and financing of major international infrastructure projects. Mr. Nackan studied in Boston where he gained a Bachelor of Arts degree in Psychology from Brandeis University and a Juris Doctor degree from Boston College Law School.

Gordon L. Panas has been President and Chief Executive Officer of Lockerbie since 2006. He had previously been the Chief Financial Officer since joining the firm in 1997. Mr. Panas received his Bachelor of Commerce degree from the University of Alberta in 1987 and his Chartered Accountant designation in 1991. He is a member of the Institute of Chartered Accountants of Alberta. Mr. Panas began his career with KPMG LLP and was involved in the audit of several large construction companies. He worked at PCL Construction Group Inc. (a private construction company) from 1991 until joining Lockerbie. While Chief Financial Officer of Lockerbie, Mr. Panas was instrumental in the development and implementation of Lockerbie's financial and Information Technology systems during a period of rapid growth for the company. Mr. Panas served as a trustee of the Edmonton Pipe Industry Pension Trust Fund from 2002 to 2007. Subject to the completion of the Lockerbie Acquisition, he will join Aecon as Executive Vice-President and Chief Financial Officer.

J. Mitchell Patten is Senior Vice-President, Corporate Affairs of Aecon and is responsible for managing the Company's positioning in the marketplace (including investor relations, public affairs and corporate communications) and for managing Aecon's corporate human resources initiatives. Prior to joining Aecon in 2001, Mr. Patten was President of the Olympic Sports and Waterfront Development Agency, established by the Ontario government to coordinate its involvement in the redevelopment of Toronto's waterfront and in the city's 2008 Olympic bid. His career has included service in the office of three Ontario Premiers as well as several years as a strategic planning consultant and as Vice-President of Canadian Highways International Corporation from 1996 to 1999.

Frank J. Ross is President of Aecon Buildings and is responsible for the overall strategic leadership of Aecon Buildings' business in Canada and the United States. Mr. Ross has over 35 years experience in all aspects of the Canadian construction industry. He has been with Aecon since 2003, serving as President of both Aecon Atlantic Group and Aecon Fabco. He has served on the Board of Directors of the Canadian Construction Association, the Ontario General Contractors Association and the Toronto Construction Association.

L. Brian Swartz is Senior Vice-President Legal and Commercial and Corporate Secretary, of Aecon. Mr. Swartz is Chair of the Aecon Project Review Committee, a member of the Executive Committee and serves on the majority of the Board of Directors for wholly owned subsidiaries. Mr. Swartz has executive responsibility for managing a broad portfolio of corporate services including legal, corporate secretarial, risk management, insurance, bonding, corporate procurement, facility services, safety, labour relations, M&A and strategic planning services to the Aecon group of companies. He has been actively involved in many major infrastructure initiatives throughout the world. He is Chair of the CBAO Construction Law Executive and a member of the Board of Directors of the Canadian Employers Council. Mr. Swartz is a member of the Editorial Board of the International Journal of Corporate Counsel (London UK). Mr. Swartz earned his LLB from Osgoode Hall Law School in 1981 and in 2003 received a certificate in ADR from Windsor Law School. He also writes and speaks regularly in his areas of expertise.

Robert McDonald was the President of Aecon Buildings Group throughout 2008, but is no longer an officer of the Company. For additional information on Mr. McDonald, please see the Company's 2008 Annual Information Form dated as of March 28, 2008 previously filed on SEDAR at www.sedar.com.

To the best of the knowledge of the Company, the directors and executive officers of the Company listed herein beneficially own, directly or indirectly, or exercise control or direction over as of March 30, 2009, an aggregate of approximately 1,644,000 common shares, representing approximately 3.2% of the issued and outstanding common shares of Aecon. As of December 31, 2008, the LTIP Trust holds 691,366 common shares (see Note 16 "Capital Stock" to the 2008 Annual Audited Financial Statements). This information, not being within the direct knowledge of the Company, has been furnished by the respective directors and officers individually or obtained from the System for Electronic Disclosure by Insiders ("SEDI") and may include shares owned or controlled by spouses, children and/or companies controlled by the directors or their spouses and/or children.

7.2 Cease Trade Orders, Bankruptcies, Penalties and Sanctions

Cease Trade Orders

To the best of the knowledge of the Company, no director or executive officer of the Company is, or was within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that: (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer: or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes hereof, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

Bankruptcies

To the best of the knowledge of the Company, no director or executive officer of the Company or, to the knowledge of the Company, shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as at the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties and Sanctions

To the best of the knowledge of the Company, no director or executive officer of the Company or, to the knowledge of the Company, shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

7.3 Conflicts of Interest

Michael Butt is Chairman and CEO of Buttcon, a general contractor based in the Toronto, Ontario area. Buttcon may bid on some projects in the Buildings segment that Aecon is also bidding on. Mr. Butt is also the Executive Chairman of Buttcon Energy Inc. Mr. Butt has agreed to excuse himself from portions of Board of Directors' meetings when discussions take place on projects where he may be in a potential conflict of interest with either of these companies.

John DiCiurcio is the Executive Vice-President of Turner Construction Company which may, on occasion, be interested in submitting bids on projects that Aecon may also wish to pursue. Where appropriate, Mr. DiCiurcio may be asked to excuse himself from portions of Board of Directors' meetings to avoid conflicts of interest.

Rolf Kindbom is a director of Hochtief Canada. To the best of the knowledge of the Company, Hochtief Canada is not actively pursuing new projects. Should a potential conflict arise, Mr. Kindbom would be asked to excuse himself.

ITEM 8

LEGAL PROCEEDINGS

Legal Proceedings

In the ordinary course of its business, Aecon may be subject to certain contractual claims and contingent liabilities (some of which may be substantial) in connection with projects in which it has been historically involved. Disputes with clients for additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions are an unfortunate but unavoidable part of the construction process. Please see Section 3.2 "Risk Factors" including "Large Project Risk", "Contractual Factors" and "Litigation Risk".

However, Aecon is not a party to any individual proceedings involving Aecon, its business or operations which are likely to have a material adverse effect on the business, operations or financial conditions of Aecon as a whole. To the knowledge of Aecon, no such legal proceedings are contemplated.

The Nathpa Jhakri Project in India, although now complete, incurred significant delays in respect of which the joint venture, in which Aecon has a 45% interest, submitted requests for an extension of contract time as well as claims for significant compensation arising from the costs of delays. Please see Section 3.2 "Risk Factors – Large Project Risk" in this AIF for additional details.

Aecon is a partner with Hochtief AG in a joint venture that constructed the Eastmain Project for Société d'énergie de la Baie James, a subsidiary of Hydro-Québec. The Eastmain Project, although complete, incurred extra costs, primarily because of customer changes to the original contract scope. Aecon is currently in litigation with Hydro-Québec seeking recovery of these extra costs. Please see Section 3.2 "Risk Factors – Large Project Risk" in this AIF for additional details.

During previous years, Quiport JV exercised its right under its concession contract to increase tariffs for services rendered to the airlines using the Existing Quito Airport. These increased tariffs are being challenged by certain airlines. Should Quiport JV's rights to the recent and future tariff increases be restricted or reduced, the reported value of concession rights related to the Existing Quito Airport could ultimately be impaired. Please see Section 3.2 "Risk Factors – Large Project Risk" in this AIF for additional details.

Given the breadth and size of its business and the highly regulated industry in which it operates, Aecon is subject to a number of different regulatory regimes in multiple jurisdictions. From time to time, Aecon is therefore subject to certain regulatory investigations and proceedings which may result in fines or other penalties. To the best of its knowledge, Aecon is not currently a party to any regulatory investigation or proceeding or subject to any potential penalty, individually or in the aggregate, which is likely to have a material adverse effect on the business, operations or financial condition of Aecon as a whole. Future changes in the current regulatory regime to which Aecon is subject (including, without limitation, the introduction of significant "green regulation") could impact Aecon on a going forward basis in unforeseen ways.

ITEM 9

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed herein, no director or executive officer of the Company and, to the knowledge of the directors and executive officers of the Company, none of their respective associates or affiliates, nor any person who beneficially owns or exercises control or direction, directly or indirectly, over more than 10% of the Company's outstanding common shares, nor their respective associates or affiliates, has had any material interest, direct or indirect, in any transaction within the Company's three most recently completed financial years or in any proposed transaction which has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries on a consolidated basis.

In the last financial year, the Company obtained legal services relating to securities and corporate/commercial matters from Wildeboer Dellelce LLP. Robert Wildeboer, the Vice-Chairman of the Board of Directors of the Company, was a founding partner of Wildeboer Dellelce LLP but is no longer a partner (although he is still 'counsel to Wildeboer Dellelce LLP') and has no current equity interest or profit participation in the firm.

For further information regarding transactions involving Hochtief AG (prior to November 30, 2006 a significant shareholder of Aecon), please see: (a) Note 11 “Guarantees”; and (b) Note 20 “Related Party Transactions” in the 2006 Annual Audited Financial Statements available on SEDAR at www.sedar.com.

For further information regarding non-material related party transactions, please see Note 20 “Related Party Transactions” in the 2006 Annual Audited Financial Statements and Note 21 “Related Party Transactions” in each of the 2007 Annual Audited Financial Statements and 2008 Annual Audited Financial Statements.

ITEM 10

TRANSFER AGENTS AND REGISTRARS

Computershare Investor Services Inc. of Toronto, Ontario is the Transfer Agent and Registrar for the common shares of the Company.

ITEM 11

MATERIAL CONTRACTS

The Company has no material contracts, other than contracts entered into in the ordinary course of business, that were entered into during the financial year ended December 31, 2008, or that were entered into before the financial year ended December 31, 2008 that are still in effect, other than an Underwriting Agreement dated as of April 2, 2008 between the Company and GMP Securities L.P., Paradigm Capital Inc., Raymond James Ltd., TD Securities Inc., Canaccord Capital Corporation and CIBC World Markets Inc. relating to the issue and sale of four million common shares of the Company for aggregate gross proceeds of \$73 million.

Following the Company’s financial year ended December 31, 2008, the Company entered into an arrangement agreement dated as of February 1, 2009 with Lockerbie in respect of the Lockerbie Acquisition. Please see Section 2.1 “Acquisitions and Divestitures” for additional details regarding the Lockerbie Acquisition.

ITEM 12

INTERESTS OF EXPERTS

12.1 PricewaterhouseCoopers LLP

The Company’s auditor is PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants (“PwC”). PwC provided an opinion on the Financial Statement for the year ended December 31, 2008 contained in filings pursuant to NI 51-102 during the year ended December 31, 2008.

PwC has prepared an independent auditors’ report dated March 3, 2009 in respect of the Company’s consolidated financial statements with accompanying notes as at and for the years ended December 31, 2008 and December 31, 2007. PwC has advised Aecon that it is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

ITEM 13
AUDIT COMMITTEE

13.1 Audit Committee Charter

The text of the Audit Committee's Charter is attached hereto as Appendix A.

13.2 Composition of the Audit Committee

The current members of the Audit Committee are Michael Butt (Chair), Austin Beutel and the Hon. Brian V. Tobin. All members of the Audit Committee for the year ended December 31, 2008 were: (i) independent and (ii) financially literate.

13.3 Relevant Education and Experience

Please see "Biographies of Directors" under Item 7 "Directors and Officers" of this AIF for background information.

13.4 Reliance on Exemptions

The Company did not rely on any exemptions from the provisions of National Instrument 52-110 *Audit Committees* during the year ended December 31, 2008.

13.5 Audit Committee Oversight

All recommendations of the Audit Committee were subsequently adopted by the Board of Directors.

13.6 Pre-Approval of Policies and Procedures

The Audit Committee approves all non-audit services engagements.

13.7 External Auditor Service Fees

The following table sets forth the fees paid to PwC, the external auditors of the Company, for services rendered for fiscal years ended December 31, 2008 and 2007:

Description	2008	2007
Audit Fees	\$670,000	\$673,000
Audit Related Fees	-	-
Bill 198 Services	\$134,000	\$15,000
Quito JV Cost	\$37,000	--
Acquisition Due Diligence Services	\$94,500	\$41,500
International Financial Reporting Standards	\$50,000	-
Pension Plan Audit	\$30,000	\$30,000
Quarterly Meeting and Accounting Matters	\$40,000	\$57,000
Prospectus and Related Translation	\$60,000	--
Translation Services	\$55,500	\$55,500
Special Reports and Tax Services	\$10,000	\$15,000
Total Fees	\$1,181,000	\$887,000

ITEM 14
ADDITIONAL INFORMATION

Additional information regarding the Company may be found under the Company's SEDAR profile at www.sedar.com. In addition to the information available on SEDAR, Aecon will provide to any person or company, upon request to the Corporate Secretary of the Company at the registered office of the Company:

- (a) when the securities of Aecon are in the course of a distribution pursuant to a short form prospectus, or a preliminary short form prospectus has been filed in respect of a proposed distribution of its securities,
 - (i) one copy of the current annual information form of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference;
 - (ii) one copy of the comparative financial statements of Aecon for the Company's most recently completed financial year for which financial statements had been issued and filed, together with the report of the auditor thereon, and one copy of any interim financial statements of Aecon filed in respect of any period after its most recently completed financial year;
 - (iii) one copy of the information circular of the Company in respect of its most recent annual meeting of the shareholders which involves the election of directors or one copy of any annual filing prepared in lieu of such information circular;
 - (iv) one copy of any other documents that are incorporated by reference into a preliminary short form prospectus or a (final) short form prospectus and not required to be provided under (i) to (iii) above; or
- (b) at any time, one copy of any of the documents referred to in (a)(i), (a)(ii), and (a)(iii) above, provided the Company may require the payment of a reasonable charge if the request is made by a person or company that is not a security holder of the Company.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Aecon's securities, securities authorized for issuance under equity compensation plans and the Company's corporate governance practices are contained in the Company's Management Information Circular dated May 16, 2008 for the most recent annual meeting of shareholders held on June 17, 2008. The next annual meeting is scheduled for June 16, 2009. Additional financial information is provided in the Company's audited consolidated financial statements for the year ended December 31, 2008 and in the Company's related management's discussion and analysis, both filed on SEDAR on March 4, 2009. A copy of the foregoing documents may be obtained by shareholders upon request from the Corporate Secretary of the Company. All documents referenced above are also available on SEDAR at www.sedar.com.

APPENDIX A

Audit Committee

Appointment and Purpose

The Audit Committee is appointed by the Board of Directors (the “Board”) to assist the Board in monitoring:

1. the integrity of the financial statements of the Company;
2. the compliance by the Company with applicable legal and regulatory requirements relating to audit and internal controls;
3. the independence, qualifications and performance of the Company’s external auditors; and
4. the Company’s internal controls and audit function.

The Audit Committee shall be responsible for the selection (subject to Board and shareholder approval), compensation and oversight over the work of the Company’s auditors.

Composition

The Audit Committee shall be composed of three members. The Board shall appoint a Chair. The members of the Audit Committee shall meet the independence and experience requirements of the principal securities exchanges on which the Company’s common shares are traded. In particular, all members shall be “unrelated” directors, who are independent of Management and free from any interest and any business or other relationship which could, or be reasonably perceived to, materially interfere with the directors’ ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholdings.

The members of the Audit Committee must have the requisite collective skills necessary to enable the committee to carry out its responsibilities, as set out in this Charter. One member of the Audit Committee must be “financially literate” as may be defined from time to time by the regulatory authorities.

Authority and Responsibilities

The Audit Committee shall have the authority and responsibility to recommend to the Board the appointment or replacement of the Company’s auditors (subject to shareholder approval), shall approve all auditing engagement fees and terms and all non-audit engagements with the Company’s auditors and shall determine which non-audit services the Company’s auditors are prohibited from providing. The auditors shall be accountable to the Board and the Audit Committee as representatives of the Company’s shareholders. The Audit Committee, as a committee of the Board, shall be directly responsible for the oversight of the work of the Company’s auditors (including resolution of disagreements between Management and the auditors) for the purpose of preparing or issuing an audit report or related work, and the auditors shall report directly to the Audit Committee.

The Audit Committee shall have the authority to recommend that the Board retain special legal, accounting or other consultants to advise the Committee and to conduct or authorize investigations into any matters within the scope of its responsibilities. The Audit Committee may request any officer or employee of the Company or the Company’s outside counsel or independent auditor to attend any meeting of the Committee or to meet with any members of, or consultants to, the Committee.

While the Audit Committee has the responsibilities and powers set forth in this Charter, and its members may have financial experience, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate. This is the responsibility of Management and the independent auditor.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall annually review its own performance.

In carrying out its responsibilities, the Audit Committee shall undertake such tasks and responsibilities that, in its judgment, would most effectively contribute to and implement the purposes set out above. Set out below are the principal recurring activities of the Audit Committee in carrying out its oversight responsibility:

1. Review and evaluate the effectiveness of the Company's process for assessing significant risks or exposures and the steps Management has taken to monitor and control such risks to the Company.
2. Consider and review with Management and the independent auditors:
 - (a) The effectiveness of, or weaknesses in, the Company's internal controls, including the status and adequacy of information systems and security.
 - (b) Any related significant findings and recommendations of the independent auditors together with Management's responses, including the timetable for implementation of recommendations to correct weaknesses in the internal controls.
3. Instruct the independent auditors to communicate directly to the Audit Committee any material difficulties or disputes with Management.
4. Determine the remuneration for the services required to support the independent auditor's opinion on the Company's financial statements.
5. Receive at least annually written reports from the independent auditor, discuss such reports with the auditor, and if so determined by the Audit Committee recommend that the Board take appropriate actions. Such reports from the independent auditor should include:
 - (a) Outline of all existing and contemplated relationships between the independent auditor and the Company;
 - (b) Confirm that, in the auditor's professional judgment, it is independent of the Company; and
 - (c) Description of the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Company.

6. Evaluate the performance of the independent auditor and, if so determined by the Audit Committee, recommend that the shareholders replace the independent auditor.
7. Review and approve the planning and staffing proposed for the audit in advance of its commencement.
8. Review the annual audited and interim unaudited financial statements and accompanying Management Discussion and Analysis ("MD&A") with Management and the independent auditor, discuss matters arising from the audit under generally accepted accounting standards, including major issues regarding accounting and auditing principles and practices, and discuss the adequacy of internal controls, that could materially affect the Company's financial statements, and recommend the approval of such financial statements and MD&A to the Board before they are publicly released or filed with regulators.
9. Review with the independent auditor any problems or difficulties the auditor may have encountered and any managerial letters provided by the auditor and the Company's response to such letters. Such review should include:
 - (a) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information; and
 - (b) Any changes required in the planned scope of the audit.
10. Meet with the independent auditor to review the independent auditor's judgements about the quality and acceptability of the Company's accounting principles and underlying estimates in the financial statements.
11. Prepare such reports and certifications or other evidence of review of financial information by the Audit Committee as may be required pursuant to applicable securities laws or stock exchange requirements.
12. Review the Company's policies and procedures regarding compliance with applicable financial and audit related laws and regulations.
13. Review and discuss with Management disclosure of financial information, including earnings press releases, as well as financial information and earnings guidance, if any, provided to analysts and rating agencies.
14. Meet with Management to review the Company's major financial risk exposures and the steps Management has taken to monitor and control such exposures.
15. Review major changes to the Company's accounting principles and practices as suggested by the independent auditor or Management.
16. Discuss and review with Management and the independent auditors any significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, including review of analyses prepared by Management or the auditors regarding significant financial reporting issues and judgements, analyses of the effects of alternative GAAP methods on the financial statements, and the effect of regulatory and accounting initiatives, and off-balance sheet structures, on the financial statements.
17. Meet separately, periodically, with Management, including the Chief Financial Officer and with independent auditors.

18. Set clear hiring policies for employees or former employees of the independent auditors.
19. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting or audit matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding accounting or auditing matters.
20. Review disclosures made by the Company's Chief Executive Officer and Chief Financial Officer regarding compliance with their certification obligations under applicable securities law or stock exchange requirements, if any, including in respect of the Company's internal controls for financial reporting and evaluations thereof, and disclosure controls and procedures.