

*This document is important and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your investment dealer, broker, bank manager, lawyer or other professional advisor.*

***AECON***

**AECON GROUP INC.**

**NOTICE OF ANNUAL AND SPECIAL MEETING  
OF SHAREHOLDERS  
AND  
MANAGEMENT PROXY  
CIRCULAR**

**Annual and Special Meeting to be held at 11:00 a.m.  
June 21, 2005  
at the  
TSX Broadcast & Conference Centre  
The Exchange Tower  
130 King Street West  
Toronto, Ontario**

## Invitation to Shareholders

We are very pleased to invite you, as a valued shareholder of Aecon Group Inc. (“**Aecon**”), to join the Board of Directors and the senior leadership team of Aecon at our annual and special meeting on June 21, 2005 at 11:00 a.m. The meeting will take place at the Broadcast & Conference Centre of the Toronto Stock Exchange (“**TSX**”) in downtown Toronto.

This is your opportunity to receive a first-hand account of Aecon’s performance in 2004 and to learn about our future plans. Scott Balfour, the Executive Vice President and Chief Financial Officer and, the undersigned, the Chairman and Chief Executive Officer will provide a report on Aecon’s affairs. Should you have questions about our past performance or future direction, this is an excellent forum to seek answers to your questions. It is also a unique opportunity to meet members of the Board of Directors and the senior leadership team.

As an important stakeholder in Aecon we urge you, should you be unable to attend the meeting in person, to exercise the power of your proxy vote as explained in the attached Proxy Circular.

Should you require additional information, please visit our corporate web site, at [www.aecon.com](http://www.aecon.com). Also available online is the full text of the 2004 Annual Report, the 2004 Annual Information Form, as well as quarterly results and other useful information. A copy of my address to the 2005 meeting will be available on our website.

Whether you elect to make your vote count in person or by proxy, we appreciate your participation in this important forum for our shareholders as well as your continued support.

Sincerely,



John M. Beck  
Chairman and Chief Executive Officer

May 11, 2005

**NOTICE  
OF  
ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that an Annual and Special Meeting (the “**Meeting**”) of Shareholders of Aecon Group Inc. (the “**Corporation**”) will be held at the TSX Broadcast and Conference Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario, Canada, on Tuesday, June 21, 2005 at 11:00 a.m. (Toronto time) for the following purposes:

- (a) to receive the financial statements of the Corporation for the financial year ended December 31, 2004 and the report of the auditors thereon;
- (b) to elect directors;
- (c) to reappoint the auditors;
- (d) to adopt a new stock option plan (the “**2005 Option Plan Resolution**”); and
- (e) to transact such other business as may properly be brought before the Meeting.

Shareholders are entitled to vote at the Meeting either in person or by proxy. If you do not intend to attend the Meeting in person, please exercise your right to vote by completing and signing the enclosed form of proxy and returning it by mail or delivery to the registered office of the Corporation or to Computershare Trust Company of Canada., 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1. **Proxies to be used at the Meeting must be deposited with the Corporation or Computershare Trust Company of Canada at least forty-eight (48) hours preceding the time of the Meeting or with the chairman of the Meeting prior to commencement of the meeting.**

**DATED** at Toronto, Ontario, on this 11th day of May 2005.

**BY ORDER OF THE BOARD OF DIRECTORS**



L. Brian Swartz  
Senior Vice-President, Legal and Commercial Services  
and Corporate Secretary

# Proxy Circular

---

## Questions & Answers on Proxy Voting

**Q: What am I voting on?**

A: Shareholders are voting on the election of directors to the Board of Aecon for 2005, the appointment of auditors for Aecon for 2005, and the 2005 Option Plan Resolution.

**Q: Who is entitled to vote?**

A: Shareholders as at the close of business on May 3, 2005 are entitled to vote. Each Common Share is entitled to one vote on those items of business identified in the Notice of Annual and Special Meeting of Shareholders of Aecon.

If you acquired your shares after May 3, 2005, please refer to the answer to the question "What if ownership of shares has been transferred after May 3, 2005?" on page Q&A 2 to determine how you may vote such shares.

**Q: How do I vote?**

A: There are two ways you can vote your shares if you are a registered shareholder. You may vote in person at the meeting or you may sign the enclosed form of proxy appointing the named persons or some other person you choose, who need not be a shareholder, to represent you as proxyholder and vote your shares at the meeting. If your shares are held in the name of a nominee, please see the box on page Q&A 2 for voting instructions.

**Q: What if I plan to attend the meeting and vote in person?**

A: If you are a registered shareholder and plan to attend the meeting on June 21, 2005 and wish to vote your shares in person at the meeting, do not complete or return the form of proxy. Your vote will be taken and counted at the meeting. Please register with the transfer agent, Computershare Trust Company of Canada, upon arrival at the meeting.

If your shares are held in the name of a nominee, please see the box on the next page for voting instructions.

**Q: Who is soliciting my proxy?**

A: The enclosed form of proxy is being solicited by the management of Aecon and the associated costs will be borne by Aecon. The solicitation will be made primarily by mail but may also be made by telephone, in writing or in person by employees of Aecon and/or Computershare Trust Company of Canada.

**Q: What if I sign the form of proxy enclosed with this circular?**

A: Signing the enclosed form of proxy gives authority to John M. Beck or Scott C. Balfour, each of whom is a senior executive officer and director of Aecon, or to another person you have appointed, to vote your shares at the meeting.

**Q: Can I appoint someone other than these directors to vote my shares?**

A: Yes. Write the name of this person, who need not be a shareholder, in the blank space provided in the form of proxy.

It is important to ensure that any other person you appoint is attending the meeting and is aware that he or she has been appointed to vote your shares. Proxyholders should, upon arrival at the meeting, present themselves to a representative of Computershare Trust Company of Canada.

**Q: What do I do with my completed proxy?**

A: Return it to Aecon's transfer agent, Computershare Trust company of Canada, in the envelope provided, or by fax to 1-866-249-7775 within Canada and the United States, or 416-263-9524 from all other countries, so that it arrives no later than 5:00 p.m. (Eastern Standard Time) on Friday, June 17, 2005. This will ensure that your vote is recorded.

**Q: If I change my mind, can I take back my proxy once I have given it?**

A: Yes. If you change your mind and wish to revoke your proxy, prepare a written statement to this effect. The statement must be signed by you or your attorney as authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney of the corporation duly authorized. This statement must be delivered to the Secretary of Aecon at the following address no later than 5:00 p.m. (Eastern Standard Time on Friday, June 17, 2005 or to the Chairman on the day of the meeting, Tuesday, June 21, 2005, or any adjournment of the meeting.

Aecon Group Inc.  
20 Carlson Court, Suite 800  
Toronto, Ontario M9W 7K6  
Attention: Shirley Duffy, Information Manager  
Fax: 416-293-0271

**Q: How will my shares be voted if I give my proxy?**  
A: The persons named on the form of proxy must vote for or against or withhold from voting your shares in accordance with your directions, or you can let your proxyholder decide for you. In the absence of such directions, proxies received by management will be voted **in favour of** the election of directors to the Board, the appointment of auditors, and the 2005 Option Plan Resolution.

**Q: What if amendments are made to these matters or if other matters are brought before the meeting?**  
A: The persons named in the form of proxy will have discretionary authority with respect to amendments or variations to matters identified in the Notice of Annual and Special Meeting of Shareholders of Aecon Group Inc. and with respect to other matters which may properly come before the meeting.

As of the time of printing of this Proxy Circular, management of Aecon knows of no such amendment, variation or other matter expected to come before the meeting. If any other matters properly come before the meeting, the persons named in the form of proxy will vote on them in accordance with their best judgment.

**Q: How many shares are entitled to vote?**  
A: As of May 3, 2005, there were outstanding 30,830,132 Common Shares of Aecon. Each registered shareholder has one vote for each Common Share held at the close of business on May 3, 2005.

**Q: What if ownership of shares has been transferred after May 3, 2005?**  
A: The person who acquired such shares after May 3, 2005 must produce properly endorsed share certificates or otherwise establish that he or she owns the shares and must ask Aecon no later than 5:00 p.m. (Easter Standard Time) on June 17, 2005 that his or her name be included in the list of shareholders before the meeting in order to be entitled to vote these shares at the meeting.

**Q: How will the votes be counted?**  
A: Each question brought before the meeting is determined by a majority of votes cast on the question.

**Q: Who counts the votes?**  
A: Aecon's transfer agent, Computershare Trust Company of Canada, counts and tabulates the proxies. This is done independently of Aecon to preserve the confidentiality of individual shareholder votes. Proxies are referred to Aecon only in cases where a shareholder clearly intends to communicate with management or when it is necessary to do so to meet the requirements of applicable law.

**Q: If I need to contact the transfer agent, how do I reach them?**

A: You can contact the transfer agent by mail at:

Computershare Trust Company of Canada  
9th Floor  
100 University Avenue  
Toronto, Ontario M5J 2Y1

Or by telephone:  
Within Canada and the United States at 1-800-564-6253 and from all other countries at 514-982-7555.

**Q: If my shares are not registered in my name but are held in the name of a nominee (a bank, trust company, securities broker, trustee or other), how do I vote my shares?**

A: There are two ways you can vote your shares held by your nominee. As required by Canadian securities legislation, you will have received from your nominee either a request for voting instructions or a form of proxy for the number of shares you hold.

For your shares to be voted for you, please follow the voting instructions provided by your nominee.

Since Aecon has limited access to the names of its non-registered shareholders, if you attend the meeting Aecon may have no record of your shareholdings or of your entitlement to vote unless your nominee has appointed you as proxyholder. Therefore, if you wish to vote in person at the meeting, insert your own name in the space provided on the request for voting instructions or form of proxy and return same by following the instructions provided. Do not otherwise complete the form as your vote will be taken at the meeting. Please register with the transfer agent, Computershare Trust Company of Canada, upon arrival at the meeting.

## GENERAL INFORMATION

### SOLICITATION OF PROXIES

This Management Proxy Circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by management for the annual and special meeting of the shareholders (the “**Meeting**”) of **Aecon Group Inc.** (the “**Corporation**” or “**Aecon**”) to be held on June 21, 2005 and, except where otherwise indicated, contains information as of the Record Date (as hereinafter defined). The solicitation will be made primarily by mail, supplemented possibly by telephone or other personal contact by regular employees of the Corporation. The cost of the solicitation by management will be borne by the Corporation. The Corporation does not intend to pay any compensation for the solicitation of proxies by third parties but will pay the reasonable expenses of brokers or other persons holding shares in their names or in the names of their nominees for forwarding the notice of meeting, form of proxy, Circular and related material to beneficial owners.

#### **Appointment, Time for Deposit and Revocability of Proxy**

The persons named in the enclosed form of proxy are directors and officers of the Corporation. **A shareholder desiring to appoint some other person (who need not be a shareholder of the Corporation) to represent him or her at the meeting may do so by inserting such person's name in the blank space provided in the form of proxy and striking out the names of the persons specified or by completing another proper form of proxy.** A proxy to be used at the meeting must be delivered or mailed to the registered office of the Corporation or to Computershare Trust Company of Canada, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, (fax: **1-866-249-7775 or 416-263-9524**) so as to be received at least forty-eight (48) hours preceding the time of the meeting. A shareholder who has given a proxy may revoke the proxy by an instrument in writing executed by the Shareholder or by his or her attorney authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either at such office of Computershare Trust Company of Canada or the registered office of the Corporation, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting, or any adjournment thereof, or in any other manner permitted by law.

#### **Voting Securities**

On May 3, 2005 the Corporation had outstanding 30,830,132 Common Shares carrying the right to one vote per share.

The Board of Directors of the Corporation has fixed a record date of May 3, 2005 (the “**Record Date**”) for the purpose of determining Shareholders entitled to receive notice of the meeting. The failure of any Shareholder to receive notice of the meeting does not deprive the Shareholder of the right to vote at the meeting.

Except as indicated otherwise, approval of any matter at the meeting requires a majority of the votes cast at the meeting on the question.

#### **Exercise of Discretion by Holders of Proxies**

The form of proxy forwarded to Shareholders with the notice of meeting and this Circular provides the Shareholder with an opportunity to specify that the shares registered in his or her name shall be voted or withheld from voting in respect of certain of the matters to be considered at the meeting. On any ballot that may be called for, the shares represented by proxies in favour of management nominees will be voted or withheld from voting in respect of the election of directors and the reappointment of auditors, in each case in accordance with the specifications made by Shareholders in the manner referred to above. **In respect of proxies in which Shareholders have not specified the manner of voting, the shares represented by proxies in favour of management nominees will be voted in favour of the election as directors of the persons listed as nominees in this Circular and the reappointment of PricewaterhouseCoopers LLP as auditors.**

The said form of proxy confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the notice of meeting or other matters which may properly come before the meeting. Management knows of no matters to come before the meeting other than the matters referred to in the notice of meeting. However, if any other matters, which are not now known to management, should properly come before the meeting, the shares represented by proxies in favour of management nominees will be voted on such matter in accordance with the best judgment of the proxy nominee.

### **Non-Registered Shareholders**

Only registered holders of Common Shares or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a "**Non-Registered Holder**") are registered either (i) in the name of an intermediary (an "**Intermediary**") (including, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans) that the Non-Registered Holder deals with in respect of the shares, or (ii) in the name of a clearing agency (such as the Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of the Canadian Securities Administrators, the Corporation will have distributed copies of the notice of the Meeting, this Circular, and the enclosed form of proxy (collectively, the "meeting materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders of Common Shares.

Intermediaries are required to forward the meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived his or her right to receive them. Intermediaries often use service companies to forward the meeting materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive meeting materials will either:

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder, but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should properly complete the applicable form of proxy and submit it to the Corporation or to Computershare Trust Company of Canada, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1 (fax: 1-866-249-7775 or 416-263-9524), with respect to the shares beneficially owned by such Non-Registered Holder, in accordance with the instructions elsewhere in this Circular; or
- (b) more typically, be given a form of proxy which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute authority and instructions (often called a "proxy authorization form") which the Intermediary must follow. Typically, the Non-Registered Holder will be given a page of instructions which contains a removable label containing a bar-code or other information. In order for the form of proxy to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit the Non-Registered Holder to direct the voting of the shares he or she beneficially owns.

**Should a Non-Registered Holder who receives either form of proxy wish to vote at the Meeting in person, the Non-Registered Holder should strike out the persons named in the proxy and insert the Non-Registered Holder's name in the blank space provided. In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

## Principal Holders of Common Shares

To the knowledge of the directors and senior officers of the Corporation, as at May 11, 2005, the only persons or companies who owns beneficially, directly or indirectly, or exercises control or direction over, more than 10% of the issued Common Shares of the Corporation are: (a) 3094499 Nova Scotia Company (“**Nova Scotia Company**”), an indirect subsidiary of Hochtief Aktiengesellschaft (“**Hochtief**”), which owns 14,429,330 Common Shares or approximately 46.8% of the issued and outstanding Common Shares (based on public filings available on SEDI); (b) Howson Tattersall Investment Counsel Limited, through its mutual funds, pension fund and client accounts owns 3,959,866 Common Shares or approximately 12.8% of the issued and outstanding Common Shares (based on an Alternative Monthly Report filed on SEDAR (as hereinafter defined) dated February 28, 2004); and (c) Natcan Investment Management Inc., which owns 4,051,400 Common Shares or approximately 13.1% (based on an Alternative Monthly Report filed on SEDAR dated February 28, 2004) of the issued and outstanding Common Shares.

## Election of Directors

The articles of the Corporation provide for a minimum of eight and a maximum of fifteen directors and the present number of directors is nine. The Board of Directors has fixed the number of directors to be elected at the meeting at ten. It is proposed that each of the persons whose name appears below be elected as a director to serve until the close of the next annual meeting or until his successor is elected or appointed. **Common Shares represented by proxies in favour of management will be voted in favour of the election of such persons as directors of the Corporation, unless a Shareholder has specified in his or her proxy that his or her shares are to be withheld from voting in the election of directors.** Management of the Corporation does not contemplate that any of the said nominees will be unable to serve as a director but should that occur prior to the meeting, the persons named in the enclosed form of proxy intend to vote for another nominee at their discretion.

The table below shows the names and municipalities of residence of all persons proposed to be nominated at the meeting for election as directors, the number of issued Common Shares of the Corporation owned beneficially, directly or indirectly, by them or over which they exercise control or direction, the offices held by them with the Corporation (if any), their principal occupations and the years they first became directors of the Corporation.

| <u>Name and Municipality<br/>of Residence</u>                              | <u>Office Held and Occupation</u>   | <u>Year Became<br/>Director</u> | <u>Common Shares of the<br/>Corporation Owned<br/>or Controlled <sup>(1)</sup></u> |
|--|---|---------------------------------|--|
| SCOTT C. BALFOUR .....<br>Oakville, Ontario                                | Executive Vice President and Chief<br>Financial Officer of the<br>Corporation | 1995                            | 501,717 <sup>(2)</sup>   |
| JOHN M. BECK.....<br>Toronto, Ontario                                      | Chairman and Chief Executive<br>Officer of the Corporation                    | 1963                            | 1,068,296  |
| AUSTIN C. BEUTEL.....<br>Toronto, Ontario                                  | Chairman, Oakwest Corporation<br>Limited                                      | 2005                            | 55,000 <sup>(3)</sup>  |
| MICHAEL A. BUTT.....<br>Gormley, Ontario                                   | President, Buttcon Limited  | 1994                            | 183,000  |
| JOHN A. DICICURCIO .....<br>Chicago, Illinois                              | Executive Vice President, Turner<br>Construction Company                      | 2004                            | NIL  |
| ROLF KINDBOM .....<br>Erin, Ontario  | Consultant, Officer and Director,<br>Hochtief Canada Inc.                     | 2000                            | 10,000   |
| DR. ING. HERBERT <sup>(4)</sup><br>LÜTKESTRATKÖTTER.....<br>Essen, Germany | Member of Executive Board,<br>Hochtief  | --                              | NIL  |
| DR. MARTIN ROHR .....<br>Essen, Germany                                    | Member of Executive Board,<br>Hochtief  | 2004                            | NIL  |

|  |  |      |        |
|--|--|------|--------|
| THE HON. BRIAN V.<br>TOBIN, P.C.<br>Toronto, Ontario | Senior Business Advisor,<br>Fraser Milner Casgrain LLP   | 2005 | NIL    |
| ROBERT P. WILDEBOER.....<br>Milton, Ontario          | Vice Chairman of the Corporation;<br>Executive Chairman, Martinrea<br>International Inc., an automotive<br>manufacturing company | 1993 | 60,761 |

Notes:

- (1) All of the above directors other than Austin Beutel, John DiCiurcio, The Hon. Brian Tobin, Martin Rohr and Dr. Lütkestratkötter were elected at the last annual meeting of the Corporation. The members of the Audit Committee are Michael A. Butt (Chair), Robert P. Wildeboer and Austin C. Beutel. The members of the Human Resources and Compensation Committee are Michael A. Butt, Hans-Wolfgang Koch (Chair) and Robert P. Wildeboer.
- (2) Scott C. Balfour also holds 100 convertible debentures purchased on March 2, 2005. For additional information concerning the debentures, please see Item 6.2 "Prior Sales" in the Annual Information Form ("AIF").
- (3) Austin C. Beutel, directly and indirectly, holds: (a) 1,450 convertible debentures purchased on November 2, 2004; and (b) 600 convertible debentures purchased on March 2, 2005. For additional information concerning the debentures, please see Item 6.2 "Prior Sales" in the AIF.
- (4) Dr. Ing. Herbert Lütkestratkötter was a director of Phillipp Holzmann AG when it filed for insolvency under German law on March 21, 2002.

This information, not being within the direct knowledge of the Corporation, has been furnished by the respective directors individually and may include shares owned or controlled by spouses, children and/or companies controlled by the directors or their spouses and/or children.

***Biographies of Directors***

**Scott C. Balfour** is Executive Vice-President and Chief Financial Officer of Aecon and Chief Executive Officer of Aecon Infrastructure Construction. He has executive responsibility for all aspects of the Corporation's finance, treasury, risk management, investor relations and administrative initiatives along with executive leadership of Aecon Constructors and Aecon Civil and Utilities. 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 the 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 Consortium and of Canadian Highways Infrastructure Corporation. Mr. Beck has been a member of the Board of Directors since 1963. Mr. Beck also serves as a director of the Ontario Power Authority. 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.

**Austin C. Beutel** is the Chairman of Oakwest Corporation Limited. 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 counselling 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 O&Y Properties Corporation. Mr. Beutel has a B. Comm. (McGill) and MBA (Harvard). He is also a Chartered Financial Analyst.

**Michael A. Butt** is the President 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. He is a

member of numerous organizations including the Ontario General Contractors Association and the Canadian Construction Association for which he served as chairman of both. Mr. Butt is a recent chairman of the Greater Toronto Airport Authority.

**John DiCiurcio** is a director of Aecon. Mr. DiCiurcio joined the Board of Directors in 2004. He currently serves as Executive Vice President for Turner Construction Company, where he oversees several business units. Mr. DiCiurcio has been in the construction business and with Turner for 25 years. He has a B.S.C.E. in Civil Engineering and Business Administration from Rutgers University and attended the Kellogg School of Management at Northwestern University.

**Rolf Kindbom** heads a consulting company in Toronto and is a director of Hochtief Canada Inc. and HT Civil Canada Inc. Mr. Kindbom has been a member of the Board of Directors of Aecon since 2000. He has almost 40 years of international business and project management experience in construction, commercial real estate and infrastructure development including Skanska Group of Sweden and Cathay International Ltd. Mr. Kindbom is also a member of the Arbitration and Mediation Institute of Ontario.

**Dr. Ing. Herbert Lütkestratkötter** is a candidate for the Board of Directors. Dr. Lütkestratkötter studied mechanical engineering and gained a doctorate at Aachen Technical University. He held senior positions at Lahmeyer International GmbH, later becoming a member and then chairman of the Management Board. Dr. Lütkestratkötter was a member of the Executive Board of Lahmeyer AG, with responsibility for the business area Technical Services and was the Labour Relations Director and member of the Executive Board of Philipp Holzmann AG, with responsibility for the area of International Business and Project Development. Chairman of the Executive Board of Dussmann AG since December 2003 Dr. Lütkestratkötter has been a member of the Executive Board of Hochtief, with responsibility for the Corporate Division Hochtief Development and the Corporate Development department. Since January 2005 he has also been responsible for Hochtief Construction Services Americas.

**Dr. Martin Rohr** joined the Aecon Board of Directors in 2004. Dr. Rohr has lent his expertise to several boards associated with Hochtief since 1994. Dr. Rohr is a member of the Executive Board of Hochtief. Before joining Hochtief, Dr. Rohr completed a graduate traineeship and worked in operational positions in the civil engineering field at various medium-sized construction companies. Dr. Rohr is responsible for networking of the Hochtief group of companies, business development and Hochtief's Corporate Center Global Procurement. Dr. Rohr received his doctorate in 1983 from Hanover University.

**The Honourable Brian V. Tobin** is a Senior Business Advisor at Fraser Milner Casgrain LLP in Toronto. Mr. Tobin served as a Member of Parliament from 1980 to 1996 and served as Minister of Fisheries and Oceans in the federal cabinet from 1993 to 1996. He later served as the Federal Minister of Industry from October 2000 to January 2002. During his tenure as Minister of Industry, Mr. Tobin worked with all sectors of the Canadian economy to improve Canada's innovation performance. Previously he served as the Premier of Newfoundland and Labrador from 1996 to 2000. He won two consecutive majority governments in provincial elections held in February 1996 and February 1999. As Premier, Mr. Tobin set an aggressive development agenda. Newfoundland and Labrador's economic turnaround was dramatic during his tenure. Mr. Tobin is also a member of several public company boards including Lions Gate Entertainment Corporation.

**Robert P. Wildeboer** is the Executive Chairman of Martinrea International Inc., a leading automotive supplier and industrial company, where he focuses on the strategic direction and development of the company. He is a founding partner in the law firm Wildeboer Dellelce, LLP. He is the Vice Chairman of Aecon and a member of the Board of Directors since 1993. Mr. Wildeboer is a specialist 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 and the Auto Parts Manufacturers Association.

## INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Except as disclosed herein, no director or senior officer of the Corporation and, to the knowledge of the directors and senior officers of the Corporation, none of their respective associates or affiliates, nor any person who beneficially owns or exercises control or direction over more than 10% of the outstanding Common Shares, nor their respective associates or affiliates, has had any material interest, direct or indirect, in any transaction since the commencement of the Corporation's last financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

## TRADING HISTORY OF COMMON SHARES

The Common Shares are listed and posted for trading on the TSX under the trading symbols 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:

| <u>Month</u>   | <u>Common Shares<sup>(1)</sup></u> |                     |                          |
|----------------|------------------------------------|---------------------|--------------------------|
|                | <u>High</u><br>(C\$)               | <u>Low</u><br>(C\$) | <u>Volume</u><br>(000's) |
| <b>2004</b>    |                                    |                     |                          |
| May.....       | 7.05                               | 4.75                | 925,684                  |
| June.....      | 7.05                               | 6.92                | 2,056,876                |
| July.....      | 7.05                               | 6.00                | 3,699,134                |
| August.....    | 6.65                               | 5.95                | 375,738                  |
| September..... | 6.32                               | 5.78                | 1,020,772                |
| October.....   | 6.35                               | 5.85                | 968,921                  |
| November.....  | 6.40                               | 6.15                | 1,186,050                |
| December.....  | 6.70                               | 6.22                | 634,312                  |
| <b>2005</b>    |                                    |                     |                          |
| January.....   | 6.69                               | 6.00                | 700,880                  |
| February.....  | 6.65                               | 6.30                | 633,422                  |
| March.....     | 6.65                               | 6.25                | 1,202,526                |
| April.....     | 6.35                               | 5.90                | 271,313                  |

Note:

(1) \*Source: The Toronto Stock Exchange Monthly Review

## DIVIDEND POLICY

The Corporation has established a formal dividend policy whereby the Board will decide whether a dividend will be declared each year at the time of the release of Aecon's annual financial statements. The size of the dividend will be determined each year based on the Corporation's financial performance. The Corporation declared a dividend of \$0.12 per Common Share in 2002 and \$0.03 per Common Share in 2003. Aecon did not declare a dividend in 2004 and does not intend to declare a dividend in 2005.

Pursuant to a loan agreement dated October 6, 2000 and most recently extended May 15, 2003 between the Corporation and its bankers (the "**Loan Agreement**"), the Corporation is restricted from paying dividends, except for an aggregate of \$4 million per fiscal year which may be declared by the board of directors provided that the financial covenants set forth in the Loan Agreement remain satisfied both before and after payment of the dividend. As discussed under Item 4 - Dividends in the Annual Information Form filed on March 31, 2005 – Aecon expects to substantially replace or reduce its traditional banking facility. Negotiations to replace the existing facility with a substantially smaller facility are currently ongoing.

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The table presented is in accordance with the regulations of the *Securities Act* (Ontario) and summarizes the compensation earned in respect of the fiscal years noted of the Chief Executive Officer and the other four most highly compensated executive officers of the Corporation employed by the Corporation as at December 31, 2004, and any executive officer who left the Corporation's employ during the last fiscal year who otherwise would have been included (the "Named Executive Officers").

| Name and Principal Position   | Year | Annual Compensation |         |  | Long Term Compensation                          |   |                             | All Other Compensation <sup>(4)</sup> |
|---|------|---------------------|---------|--|---|---|-----------------------------|---------------------------------------|
|   |      | Salary              | Bonus   | Other Annual Compensation <sup>(1)</sup> | Awards  |   | Payouts                     |                                       |
|   |      |                     |         |  | Securities Under Options Granted <sup>(2)</sup> | Restricted Shares or Restricted Share Units | LTIP Payouts <sup>(3)</sup> |                                       |
| (\$)  | (\$) | (\$)                | (#)     | (\$)                                     | (\$)  | (\$)  |                             |                                       |
| John M. Beck, <sup>(5)</sup><br>Chairman and Chief Executive Officer      | 2004 | 464,181             | Nil     | —  | —   | —   | —                           | 362,041                               |
|   | 2003 | 459,940             | Nil     | —  | —   | —   | 319,800                     | 336,211                               |
|   | 2002 | 477,860             | Nil     | —  | —   | —   | 274,200                     | 257,769                               |
| Scott C. Balfour,<br>Executive Vice President and Chief Financial Officer | 2004 | 332,312             | Nil     | —  | —   | —   | —                           | 18,430                                |
|   | 2003 | 295,787             | Nil     | —  | —   | —   | 293,150                     | 16,539                                |
|   | 2002 | 283,006             | Nil     | —  | —   | —   | 251,130                     | 15,661                                |
| Norman A. Harrison, <sup>(6)</sup><br>Executive Vice President            | 2004 | 220,624             | Nil     | —  | —   | —   | —                           | 165,975                               |
|   | 2003 | 114,184             | Nil     | 22,510 <sup>(7)</sup>                    | —   | —   | —                           | 165,906 <sup>(9)</sup>                |
|   | 2002 | 118,633             | Nil     | 19,755 <sup>(8)</sup>                    | —   | —   | —                           | 165,891 <sup>(9)</sup>                |
| H. William Pearson<br>Executive Vice President                            | 2004 | 339,981             | Nil     | —  | —   | —   | —                           | 18,813                                |
|   | 2003 | 336,875             | Nil     | 36,566 <sup>(10)</sup>                   | —   | —   | —                           | 18,593                                |
|   | 2002 | 350,000             | Nil     | —  | —   | —   | —                           | 29,935                                |
| Paul P. Koenderman <sup>(11)</sup><br>Executive Vice President            | 2004 | 290,625             | 100,000 | —  | —   | —   | —                           | 16,435                                |
|   | 2003 | 196,875             | 100,000 | —  | 100,000   | —   | —                           | 14,203                                |
|   | 2002 | —                   | —       | —  | —   | —   | —                           | —                                     |

Notes:

- (1) Perquisites and other personal benefits for certain Named Executive Officers are not included since they do not exceed the lesser of \$50,000 and 10% of annual salary and bonus.
- (2) Options granted under the Corporation's 1998 Stock Option Plan, as amended on July 20, 2000.
- (3) Long Term Incentive Plan. Under an arrangement which was implemented in 2000 following the successful acquisition of BFC Construction Corporation ("BFC") (now Aecon Construction Group Inc.) at the end of 1999, Messrs. Beck and Balfour were entitled to receive payments based on a notional number of Common Shares of the Corporation awarded to them and the trading price of the Corporation's Common Shares. The payments were to be made on January 31 in each of the three years 2001, 2002 and 2003. Each payment equalled one-third of the total number of notional shares granted to the particular executive multiplied by the simple average trading price of the Common Shares for the 21 trading days proceeding January 31 in the particular year. The executive officers were also entitled to payment of an amount equal to any dividends paid on the shares of the Corporation based on the number of notional shares in respect of which the above incentive payment had not yet been made at the time of the dividend payment.
- (4) "All Other Compensation" includes payments for (i) life insurance premiums; (ii) contributions to defined contribution plans; and (iii) payments and accruals to supplemental employee retirement plans. The amounts disclosed for John Beck include accruals to the supplemental employee retirement plan in the following amounts: (i) 2004 - \$351,977; (ii) 2003 - \$326,711; and (iii) 2002 - \$249,506.
- (5) Amounts may include fees paid to a corporation controlled by Mr. Beck.
- (6) Norman A. Harrison retired as of December 31, 2004.
- (7) Amount is the sum of \$22,510 in perquisites and other personal benefits, including a \$10,200 car allowance.

- (8) Amount is the sum of \$19,755 in perquisites and other personal benefits, including a \$10,200 car allowance.
- (9) Amount includes an annual pension of \$164,373 from Aecon Construction Group Inc.
- (10) Amount consists of \$36,566 in perquisites and other personal benefits, including \$24,000 for a car allowance and all related expenses.
- (11) Mr. Koenderman was appointed an executive officer of the Corporation on April 1, 2003. The options were granted to Mr. Koenderman upon his appointment.

## **Report on Executive Compensation**

### ***Composition of the Human Resources and Compensation Committee***

As of the date hereof, the Human Resources and Compensation Committee (the "**Committee**") is composed of three members of the Board of Directors: Michael A. Butt, Robert P. Wildeboer and Hans-Wolfgang Koch (Chair), none of whom are employees or former employees of the Corporation. Mr. Wildeboer is the Vice-Chairman of the Corporation and formerly had, but does not now have, indebtedness outstanding to the Corporation as disclosed under "Indebtedness of Executive and Senior Officers and Directors". Mr. Koch is the Deputy Chairman of the Corporation. The Committee makes recommendations to the Board of Directors on all aspects of compensation policy for the Corporation, including salary and salary structure for executives and employees, bonuses, stock options, pension arrangements and incentive plans and policies.

### ***Human Resources and Compensation Committee Report on Executive Compensation***

Aecon's executive compensation philosophy is to ensure that total compensation is competitive and is directly linked to the performance level of both the individual officer and the Corporation. The compensation objective is to attract, retain and motivate highly competent individuals who can ensure the current and long term success of the Corporation. Total compensation is comprised of base salary, incentive bonuses based on pre-defined goals and criteria, pension and benefits, and equity participation in the past (primarily through the use of options to acquire Common Shares). Base salary generally forms the largest single component of total compensation. However, bonuses and equity based compensation can be very significant as profitability improves or as the Corporation's stock price appreciates.

In making compensation recommendations in respect of the Corporation's 2004 fiscal year, many factors were considered relevant by the Committee, including the financial results achieved by the Corporation's operations in fiscal 2003; the workloads placed on the Corporation's senior management personnel in fiscal 2003 and 2004; and management's performance in achieving goals set by the Corporation from time to time. In 2004, the Committee commenced a review of bonus incentive compensation, at the executive and more junior levels of the Corporation, both from a short term and long term perspective. That process was not finalized in 2004.

#### ***Base Salary***

Base salaries for fiscal 2004 were determined based on the skills, ability and experience of the individual executive, the need to attract and retain executives, and recommended base salary ranges applicable to executive positions (obtained from two independent compensation experts). While finding comparative information in the construction industry is difficult because most comparable construction companies are privately owned or are divisions of large public companies, the Committee believes that the base salaries of its executives are very competitive with industry norms and with public companies having comparable revenues to that of the Corporation.

#### ***Bonus***

The Corporation does award bonuses. While fiscal 2004 saw a number of important successes, overall results were disappointing. The results are indicative of the challenging construction environment, as well as a number of factors disclosed in the public filings of the Corporation. No incentive payments were made to employees at the corporate level, nor in any divisional office or subsidiary in which financial results were less than satisfactory.

The Committee continues to be pleased with the performance of the Corporation's senior management and believes that management will implement process improvement and other initiatives in order to address these issues.

### **Stock Options**

The Committee, through Aecon's shareholder approved 1998 stock option plan, as amended on July 20, 2000 (hereinafter referred to as the "**Stock Option Plan**" or the "**1998 Plan**"), may award long-term stock option incentives to directors, officers and other employees of the Corporation and its subsidiaries. The Plan is intended to motivate and reward individuals who contribute to the success and profitability of the Corporation and to give said individuals a proprietary interest in the long-term growth and financial success through the award of stock options.

The table below indicates the number of securities to be issued upon the exercise of outstanding Options, the weighted-average exercise price of the outstanding Options and the number of securities remaining available for future issuance under the 1998 Plan as of December 31, 2004:

| <b>Plan Category</b>                                      | <b>Number of securities to be issued upon exercise of outstanding options, warrants and rights<br/>(a)</b> | <b>Weighted-average exercise price of outstanding options, warrants and rights<br/>(b)</b> | <b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br/>(c)</b> |
|---|--|--|--|
| <b>Equity compensation plans approved by Shareholders</b> | 1,181,000  | \$4.05   | 316,266  |

A maximum of 2,700,000 Common Shares, representing approximately 8.8% of the issued and outstanding Common Shares on an undiluted basis, may be reserved for issuance under the 1998 Plan. As of the date of this Circular, 1,181,000 Common Shares, representing approximately 3.8% of the issued and outstanding Common Shares on an undiluted basis, have been reserved for issuance upon the exercise of outstanding stock options awarded under the 1998 Plan, and 316,266 Common Shares, representing approximately 1% of the issued and outstanding Common Shares on an undiluted basis, remain available for future stock option awards under the 1998 Plan.

Key provisions of the 1998 Plan include: (a) a restriction that no more than 10% of the total number of issued and outstanding Common Shares may be issued to Insiders (as defined in the 1998 Plan); (b) a restriction that no more than 5% of the total number of issued and outstanding Common Shares may be issued to any one Insider in a one year period; (c) the option exercise price per Common Share is the closing sale price of the Common Shares on the TSX on the last day Common Shares traded prior to the grant of the option; (d) the vesting period of all options shall be determined by the Board; (e) options have a maximum term of 10 years; (f) options shall, subject to certain specified exercise periods, expire upon the death, permanent disability or termination of employment of the optionee (in the event of termination of employment without cause the option shall expire 90 days after the date of termination and in the event of termination with cause the option shall immediately expire); (g) options are not transferable; (h) the Board has the right to amend, suspend, terminate or discontinue the Plan, provided that any change to increase the number of Common Shares reserved under the 1998 Plan, change the definition of eligibility, lengthen the term of options beyond 10 years, change the pricing mechanism or shorten the vesting period, must comply with applicable laws; and (i) in the discretion of the Board and subject to any applicable laws, the Corporation may provide financial assistance, on such terms and conditions as may be determined by the Board, to assist any optionee in the exercise of options granted under the 1998 Plan.

Subject to shareholder and regulatory approval, the Board of Directors has approved a new stock option plan which will replace the 1998 Plan. For a discussion of the new stock option plan see "Approval of New Stock Option Plan" on page 15, below.

In previous years, the Corporation has granted options to employees, officers and directors on the basis of several factors, including past and current performance, incentivization and the ability of the Corporation to conserve cash through the use of options as compensation and bonus mechanisms. A total of 150,000 options were granted in fiscal 2004. The 150,000 options were granted to senior officers of the Corporation pursuant to the terms of the Corporation's employee stock option plan. The options were granted with an exercise price ranging from \$6.20 to \$6.30 per share and were subject to vesting provisions.

### ***Pension Plan***

The Corporation established a pension plan for John M. Beck, the Chief Executive Officer, in 2001, upon recommendation of the Committee, to reflect current executive compensation trends, as a reward for over 35 years of service with the Corporation and its predecessors, and as an incentive for future long term involvement with the Corporation. Entitlements under the plan are based on length of service from the date the plan was established and his final average earnings at the time he retires. Based on the foregoing, Mr. Beck's maximum pension entitlement at time of retirement, assuming a retirement age of 67 would be an amount approximately equal to 40% of final average earnings (excluding bonus).

The foregoing report has been submitted by the members of the Human Resources and Compensation Committee for fiscal 2004.

Michael A. Butt  
Hans-Wolfgang Koch (Chair)  
Robert P. Wildeboer

### **Options to Named Executive Officers**

No options to purchase Common Shares were granted during the financial year ended December 31, 2004 to the Named Executive Officers.

On January 5, 2004 Norman A. Harrison exercised options to purchase 40,000 shares in the Corporation at a price of \$3.60 per share and traded them shortly thereafter at a price of \$4.75 per share. On December 22, 2004 Scott C. Balfour exercised options to purchase 75,000 shares in the Corporation at a price of \$3.60 per share and traded them shortly thereafter at a price of \$6.50 per share. On December 22, 2004 John Beck exercised options to purchase 100,000 shares in the Corporation at a price of \$3.60 per share and traded them shortly thereafter at a price of \$6.50 per share. Many of the options still held by the Named Executive Officers as well as other officers and directors will expire by July 20, 2005 and if the share price of the Corporation continues to exceed the exercise price of the options, must be exercised by that date.

The table below indicates the number of options exercised during the most recently completed financial year and the financial year-end value of unexercised options, on an aggregated basis, for each of the Named Executive Officers.

### ***Aggregate Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values as at December 31, 2004***

| Name         | Securities<br>Acquired<br>on Exercise<br>(#) | Aggregate<br>Value Realized<br>(\$) | Unexercised Options at<br>Year-End<br>Exercisable/Unexercisable<br>(#) | Value <sup>(1)</sup> of Unexercised in-the-<br>Money Options at Financial<br>Year-End<br>Exercisable/Unexercisable<br>(\$) |
|--------------|--|-------------------------------------|--|--|
| John M. Beck | 100,000                                      | \$290,000                           | 100,00 / 0   | \$298,000/ 0   |

| Name               | Securities Acquired on Exercise (#) | Aggregate Value Realized (\$) | Unexercised Options at Year-End Exercisable/Unexercisable (#) | Value <sup>(1)</sup> of Unexercised in-the-Money Options at Financial Year-End Exercisable/Unexercisable (\$) |
|--------------------|-------------------------------------|-------------------------------|---|---|
| Scott C. Balfour   | 75,000                              | \$217,500                     | 75,000 / 0  | \$223,500/ 0  |
| Norman A. Harrison | 40,000                              | \$46,000                      | -   | -   |
| H. William Pearson | --                                  | -                             | 200,000 / 0   | \$596,000/ 0  |
| Paul P. Koenderman | --                                  | -                             | 33,333 / 66,667   | \$60,999/ \$122,000   |

Note:

(1) Amount is calculated by deducting the option price from gross sale proceeds and is calculated using the closing price on December 31, 2004 of \$6.58.

### Pension Plans and Other Compensation

The Corporation maintains both a pension plan and a medical and dental benefit plan for its Named Executive Officers that are available generally to all salaried employees on the same terms. Certain officers who are former officers of BFC are members of BFC's Supplementary Executive Retirement Plan, which is not available to other Named Executive Officers of the Corporation at this time.

The following table shows estimated annual pension benefits payable to John Beck on retirement under the plan described in the Human Resources and Compensation Committee Report on Executive Compensation above:

| John M. Beck's Defined Benefit Senior Executive Retirement Plan |   |        |         |         |         |         |         |         |
|---|---|--------|---------|---------|---------|---------|---------|---------|
| Remuneration (\$)   | Credited Years of Service Since December 31, 2000 |        |         |         |         |         |         |         |
|   | 1   | 2      | 3       | 4       | 5       | 6       | 7       | 7.8333  |
| <b>400,000</b>  | 22,278  | 44,556 | 66,500  | 88,000  | 109,700 | 131,269 | 152,702 | 170,881 |
| <b>425,000</b>  | 23,778  | 47,556 | 71,000  | 94,000  | 117,200 | 140,269 | 163,202 | 182,631 |
| <b>450,000</b>  | 25,278  | 50,556 | 75,500  | 100,000 | 124,700 | 149,269 | 173,702 | 194,381 |
| <b>475,000</b>  | 26,778  | 53,556 | 80,000  | 106,000 | 132,200 | 158,269 | 184,202 | 206,131 |
| <b>500,000</b>  | 28,278  | 56,556 | 84,500  | 112,000 | 139,700 | 167,269 | 194,702 | 217,881 |
| <b>525,000</b>  | 29,778  | 59,556 | 89,000  | 118,000 | 147,200 | 176,269 | 205,202 | 229,631 |
| <b>550,000</b>  | 31,278  | 62,556 | 93,500  | 124,000 | 154,700 | 185,269 | 215,702 | 241,381 |
| <b>575,000</b>  | 32,778  | 65,556 | 98,000  | 130,000 | 162,200 | 194,269 | 226,202 | 253,131 |
| <b>600,000</b>  | 34,278  | 68,556 | 102,500 | 136,000 | 169,700 | 203,269 | 236,702 | 264,881 |
| <b>625,000</b>  | 35,778  | 71,556 | 107,000 | 142,000 | 177,200 | 212,269 | 247,202 | 276,631 |
| <b>650,000</b>  | 37,278  | 74,556 | 111,500 | 148,000 | 184,700 | 221,269 | 257,702 | 288,381 |

Notes:

1. The benefit formula under this plan is as follows:

x minus y, where:

x = 2.0% of Final Average Earnings \*3\* Credited Years of Service; and

y = the amount prescribed by the Income Tax Act as the maximum benefit allowed under a defined benefit plan in any year \* Credited Year of Service.

2. The remuneration shown above and used in the calculations is assumed to represent the member's final average earnings at his date of termination/retirement.

3. Since the only member of this plan is John Beck, only scenarios that may be applicable to his situation at retirement have been considered.

4. The definition of final average earnings under the plan is the best consecutive 12 months salary, excluding bonus.

5. Mr. Beck will cease to accrue Credited Service under the plan on the earlier of his date of termination/retirement and the date he attains age 67.

At age 67, he will have accrued 7.833 years of Credited Service under the plan.

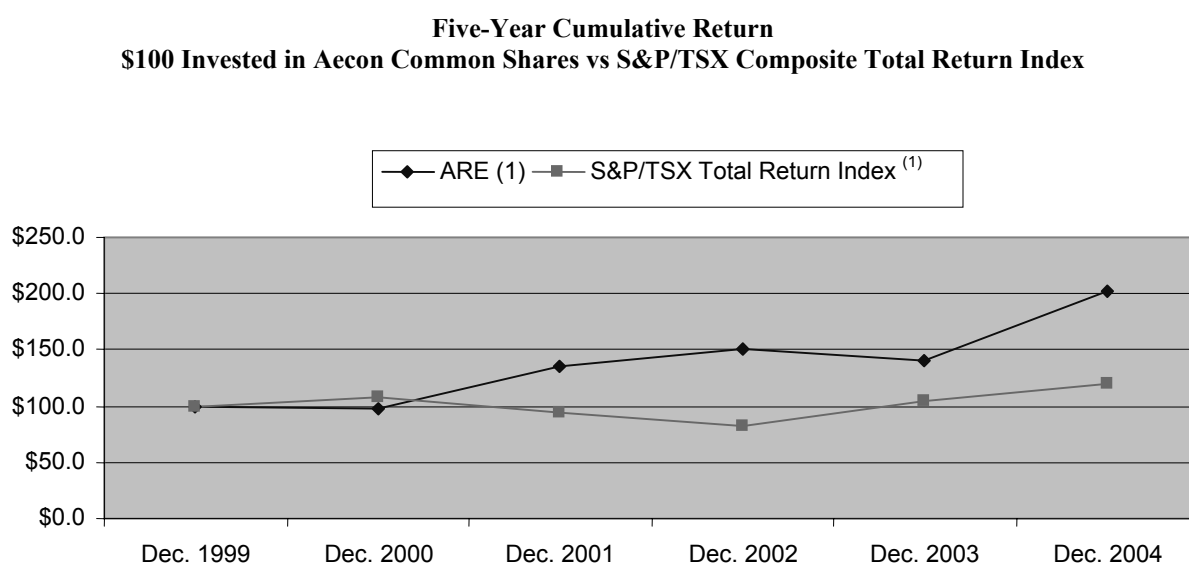
6. The estimated benefit amounts shown above are annual pensions payable at age 65 (or such later date), for life, guaranteed for 10 years and indexed annually at a rate equal to 100% of CPI.

7. It is assumed that the defined benefit pension plan limit will increase as follows:

|              |   |
|--------------|---|
| 2005         | 2,000.00                                    |
| 2006 onwards | Increase at 3.0% over previous year's level |

## Performance Graph

The following graph compares the cumulative Shareholder return for \$100 invested in Common Shares against the cumulative return for \$100 on the S&P/TSX Composite Total Return Index for the five-year period from January 1, 2000 to December 31, 2004:



|   | Dec. 1999 | Dec. 2000 | Dec. 2001 | Dec. 2002 | Dec. 2003 | Dec. 2004 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>ARE (1)</b>                            | 100       | 96.92     | 135.38    | 149.85    | 140.92    | 202.46    |
| <b>S&amp;P/TSX Total Return Index (1)</b> | 100       | 107.41    | 93.91     | 82.23     | 104.20    | 119.29    |

(1) Includes share price plus dividends, if any. The closing price of the Common Shares on December 31, 2004 was \$6.58. All prices for the Common Shares were obtained from the records of the TSX.

## Employment Contracts

The Corporation has entered into employment agreements with John M. Beck, Chairman and Chief Executive Officer, and Scott C. Balfour, Executive Vice-President and Chief Financial Officer. The Corporation has also entered into employment agreements with Paul P. Koenderman, Executive Vice-Presidents and Chief Executive Officer of the Corporation's Industrial division.

The agreements with Mr. Beck and Mr. Balfour set out such officers' duties and responsibilities, as well as annual compensation, and include confidentiality, non-solicitation and non-competition provisions. The agreements also provide for a severance payment equal to 36 months salary and bonus in the case of Mr. Beck and 24 months salary and bonus in the case of Mr. Balfour, at the then applicable rate, in the event of permanent disability, death or termination of employment by the Corporation, if without cause. Similarly, in the event of a change of control of the Corporation, if such executives are dismissed or resign during the ensuing 12 months, such executives are entitled to payments in the amount of 36 months and 24 months salary and bonus, respectively.

The agreement with Mr. Koenderman came into effect on April 1, 2003. The agreement sets out Mr. Koenderman's duties and responsibilities and annual compensation, benefits and incentives. The agreement provides for a severance payment in the event of termination without just cause in the form of a continuation of salary and benefits and bi-monthly payments of one twenty-fourth (1/24) of the average cash incentive paid over the previous three years, all for a period of 12 months, subject to any greater entitlement under Ontario law. In the event that a third party or group other than Hochtief or its affiliated companies acquires a controlling interest in the Corporation, Mr. Koenderman may elect, if he resigns or is dismissed, to receive a lump sum payment equal to 12 months salary plus the average cash incentive paid over the previous three (3) years, without continuation of benefits.

### **Compensation of Directors**

In 2004, the Corporation paid each director an annual retainer of \$22,500, a meeting fee of \$1,250 for each meeting attended and an annual retainer payable to Committee Chairs of \$6,000.

The Corporation also pays an annual fee for Committee membership of \$4,000 and an annual fee for Vice Chair of \$10,000.

In connection with the proposed take-over of the Corporation by Hochtief in 2004, the Corporation created an independent committee consisting of two independent directors to consider potential proposals put forth by Hochtief. For additional information please see "Background to the Proposed Transaction" in the Information Circular dated June 21, 2004 available on SEDAR. Each member of the independent committee was paid \$60,000 in total for the services rendered.

Mr. Kindbom, or companies controlled by him, received consulting fees from the Corporation or its affiliates of \$21,906.25 during fiscal 2004. Mr. Wildeboer received payments in 2001, 2002 and 2003 under the "Long Term Incentive Plan" described in footnote (3) to the Summary Compensation Table above, based upon a total of 150,000 notional shares which were awarded in 2000.

### **Corporate Governance**

The Board of Directors is committed to fostering a healthy governance culture at the Corporation. The Corporation believes that a healthy governance culture requires that directors be informed of both internal corporate and external developments that may affect the business and affairs of the Corporation and that an atmosphere of open communication, trust, candor, healthy debate and even constructive dissent be part of the corporate decision making and directorial oversight process. Mere formulaic or structural approaches to corporate governance issues, such as tests of independence, numerical guidelines for outside directors, number of directors, director age, number of committees, director incentive programs, number of formal meetings, and similar requirements are not themselves sufficient and, in some cases, not particularly helpful in ensuring that the board of directors of a public corporation fulfills its mandate of properly supervising the management of the Corporation, addressing potential conflict of interest situations and, in general, representing the interest of Shareholders to encourage what they ultimately want, namely, good and proper corporate performance. Simply put, directors have statutory and fiduciary obligations to act honestly and in good faith with a view to the best interests of the Corporation and the Shareholders as a whole. They also have a duty of care in making decisions, including a duty to be properly informed so they can perform the tasks their position entails. The Board of Directors demands that these standards are met by its members at all times.

The Corporation's corporate governance practices have attempted to ensure that the business and affairs of the Corporation are effectively managed so as to promote and enhance Shareholder value. The Corporation's Board of Directors has been very actively involved in many aspects of the Corporation's business. The Corporation

believes that its Board of Directors, through participating directly in planning and implementation, has taken on greater responsibility and a more active role than is believed to be customary for boards of directors generally. Management has been able to draw assistance from individual Board members, as well as seek advice from the Board of Directors as a whole, when circumstances require it.

The TSX has adopted a series of guidelines for effective corporate governance. The guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. To implement these guidelines, the TSX adopted as a listing requirement the disclosure by each listed corporation of its approach to corporate governance with reference to the guidelines. In November 2002, the TSX proposed to amend these guidelines to reflect the views of the Joint Committee on Corporate Governance. The Corporation complies with virtually all the proposed amended guidelines and, to this end, the required disclosure is set out in matrix form and attached to this Management Information Circular as Appendix 1. Where the Corporation does not so comply, it believes non-compliance is justifiable and its reasoning is provided.

The Ontario Securities Commission and certain members of the Canadian Securities Administrators have recently proposed rules and policies in relation to corporate governance that will replace the TSX corporate governance guidelines and related disclosure requirements. The Corporation is reviewing these proposals and will make any necessary changes to its corporate governance disclosure when new rules and policies come into effect.

#### **Indebtedness of Executive and Senior Officers and Directors**

The executive and senior officers and the directors of the Corporation and their associates did not have any indebtedness to the Corporation or its subsidiaries in respect of the financial year ended December 31, 2004 except as set out in the table below, other than routine indebtedness or indebtedness that has been repaid. As of April 30, 2005, the aggregate indebtedness to the Corporation and its subsidiaries of all officers, directors, employees and former officers, directors and employees of the Corporation in connection with the purchase of securities was \$1,398,277.60. Neither the Corporation nor any of its subsidiaries has guaranteed any indebtedness of any of such persons.

**Table Of Indebtedness of Directors, Executive Officers and Senior Officers Under Securities Purchase Programs**

| <b>Name and Principal Position</b>  | <b>Largest Amount Outstanding During 2004</b> | <b>Amount Outstanding as at Dec. 31, 2004</b> | <b>Assisted Securities Purchases During 2004</b> | <b>Security for Indebtedness</b> |
|---|---|---|--|----------------------------------|
| John M. Beck<br>Chairman and Chief Executive Officer/Director                     | \$993,920.96                                  | \$993,920.96                                  | None   | None                             |
| Scott C. Balfour<br>Executive Vice President and Chief Financial Officer/Director | \$383,762                                     | \$381,291                                     | None   | None                             |
| Robert P. Wildeboer<br>Vice Chairman/Director                                     | \$47,164                                      | None  | None   | None                             |

This indebtedness arose to assist the executives and directors with the cost of acquiring and exercising options to purchase Common Shares. These loans bear interest at the "prescribed rate" as determined by the Canada Revenue Agency. All financial assistance was provided by the Corporation and not by any subsidiary. The loans to Mr. Beck and Mr. Balfour may be repaid at any time but no later than the date such individuals cease to be employed by the Corporation. All other loans are repayable in equal quarterly principal installments of \$7,345.00. The loans are unsecured.

As of April 30, 2005, the aggregate indebtedness to the Corporation and its subsidiaries of all officers, directors, employees and former officers, directors and employees of the Corporation not in connection with the purchase of securities was nil.

## **Insurance**

The Corporation maintains insurance for the benefit of the directors and officers of the Corporation and its subsidiaries against liability in their respective capacities as directors and officers of the Corporation thereof. For the period May 1, 2004 through December 31, 2005, the premium payable by the Corporation and the total amount of insurance purchased for the directors and officers as a group are \$330,858 (for the period in question) and \$25,000,000 million respectively. For indemnified losses, there is deductible of \$250,000 per wrongful act. The directors and officers are not required to pay any premium in respect of the insurance.

## **Reappointment of Auditors**

**It is intended that the shares represented by proxies in favour of management nominees will be voted in favour of the reappointment of PricewaterhouseCoopers LLP, as auditors of the Corporation, unless a Shareholder has specified in his or her proxy that his or her shares are to be withheld from voting in the appointment of auditors.**

The Audit Committee and the Board of Directors negotiate with the auditors of the Corporation on an arm's length basis in determining the fees to be paid to the auditors. Such fees have been based upon the complexity of the matters dealt with and the time expended by the auditors in providing services to the Corporation. The directors believe that the fees negotiated in the past with the auditors of the Corporation are reasonable in the circumstances and would be comparable to fees charged by other auditors providing similar services. During 2004, fees for audit and audit-related services provided by the auditors for the Corporation and its subsidiaries amounted to \$656,950. Non-audit business advisory services were also provided by PricewaterhouseCoopers LLP to the Corporation and its subsidiaries in the amount of \$226,000 (including fees related to the filing of a short form prospectus dated March 12, 2004).

## **Approval of New Stock Option Plan**

### *2005 Stock Option Plan*

On May 11, 2005, the Board of Directors approved the adoption of a new stock Option Plan (the "2005 Plan"), subject to shareholder and regulatory approval. The 2005 Plan will replace the 1998 Plan and, consequently, no new options will be granted under the 1998 Plan. Options granted under the 1998 Plan prior to the adoption of the 2005 Plan will survive until exercise, lapse or termination in accordance with the provisions of the 1998 Plan.

Key provisions of the 2005 Plan include: (a) a restriction that no more than 10% of the total number of issued and outstanding Common Shares may be issued to Insiders (as defined in the 2005 Plan); (b) a restriction that no more than 5% of the total number of issued and outstanding Common Shares may be issued to any one Insider in a one year period; (c) the option price per Common Share is the five-day weighted average of the closing price of the Common Shares on the TSX prior to the grant of the option; (d) the vesting period of all options shall be determined by the Board; (e) options have a maximum term of 10 years; (f) options shall, subject to certain specified exercise periods, expire upon the death, permanent disability or termination of employment of the optionee (in the event of termination of employment without cause the option shall expire 90 days after the date of termination and in the event of termination with cause the option shall immediately expire); (g) options are not transferable; (h) the Board has the right to alter, amend, or vary the 2005 Plan without shareholder approval provided that it is of a housekeeping nature, (e.g. for the purpose of curing an ambiguity or error in the 2005 Plan or correcting or supplementing the 2005 Plan to remove any inconsistencies), is necessary to comply with regulatory requirements, changes the vesting provisions of an option, changes the termination provisions of an option or the 2005 Plan which does not entail an extension beyond the original expiry date, or amends the 2005 Plan to include a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the maximum number of Common Shares reserved for issuance under the 2005 Plan; and (i) at the discretion of the Board and subject to any applicable laws, the Corporation may provide financial assistance, on such terms and conditions as may be determined by the Board, to assist any optionee in the exercise of options granted under the 2005 Plan.

Provisions (a), (b), (d), (e), (f), (g) and (i) listed above are consistent with the provisions contained in the 1998 Plan. Provisions (c) and (h) in the 2005 Plan differ from the analogous provisions in the 1998 Plan. For a brief description of the 1998 Plan see “Stock Options” on page 9, above. For additional detail on the material differences between the 1998 Plan and the 2005 Plan see “Maximum Shares available” and “Other Amendments to the Plan”, below. The full text of the 2005 Plan is set forth in Appendix 3 to this Circular.

#### *Purpose of the 2005 Plan*

The adoption of the 2005 Plan is intended to further the purpose of the 1998 Plan, which is to permit the Corporation to motivate and reward individuals who contribute to the Corporation's profitability and to provide those individuals with a proprietary interest in the long term growth and financial success of the Corporation. The Board believes that by increasing the number of stock options available in the 2005 Plan it will enhance the ability of Aecon to continue to attract and retain talented individuals in a highly competitive industry. The 2005 Plan also contains amendments to the 1998 Plan that conform certain provisions of the 2005 Plan to the recently-adopted TSX rules relating to security based compensation arrangements.

#### *Maximum Shares Available*

As of the date of this Circular, only 316,266 Common Shares, representing approximately 1% of the issued and outstanding Common Shares of the Corporation on a diluted basis, remain available for future stock option awards under the 1998 Plan (the “**Available Common Shares**”). The Board of Directors believes that the number of Available Common Shares is insufficient to meet the objectives set out in the preceding paragraph with respect to its ability to attract and retain talented individuals on a going-forward basis. As a result, the maximum number of Common Shares that may be reserved for issuance under the 2005 Plan has been fixed at 2,500,000 Common Shares, which represents approximately 8% of the issued and outstanding Common Shares on an undiluted basis and 7.5% on a fully diluted basis as of the date of this Circular.

#### *Other Amendments to the Plan*

The 2005 Plan contains changes designed to conform certain provisions in the plan to the recently revised TSX rules and regulations relating to security based compensation arrangements, as well as changes to the 1998 Plan which the Board considers to be in the best interests of the Corporation.

Under the 1998 Plan, the exercise price of options is determined based on the closing market price on the last trading day prior to the option grant. In contrast, the 2005 Plan uses the five-day weighted average trading price in calculating the exercise price of options.

The 2005 Plan also introduces the concept of a cash settlement alternative which is not provided for in the 1998 Plan. Under the cash settlement alternative optionees have the right to receive, subject to approval from the HRCC, the “In the Money Value of the Option” (as defined in the 2005 Plan) in lieu of purchasing Common Shares upon the exercise of the option. The cash settlement alternative provides optionees with an alternative means to exercise their options and provides the Corporation with a means of reducing the dilution normally associated with option exercises.

The amending provisions in the 2005 Plan provide that Board may suspend, terminate or discontinue the 2005 Plan at any time, subject to regulatory and stock exchange approval. The Board has the right to alter, amend or vary the 2005 Plan without shareholder approval provided that it is of a housekeeping nature (e.g. for the purpose of curing an ambiguity or error in the 2005 Plan or correcting or supplementing the plan to remove any inconsistencies), is necessary to comply with regulatory requirements, changes the vesting provisions of an option, changes the termination provisions of an option or the 2005 Plan which does not entail an extension beyond the original expiry date, or amends the 2005 Plan to include a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the maximum number of Common Shares reserved for issuance under the 2005 Plan. Amendments to the 2005 Plan involving certain fundamental changes, including: (i) an increase in the number of Common Shares under the 2005 Plan; (ii) changes to the class of eligible participants; (iii) changes resulting in significant or unreasonable dilution; and (iv) changes providing

additional benefits to eligible participants, will require regulatory and stock exchange approval and shareholder approval, in order to become effective.

#### *Shareholder Approval*

The rules of the TSX require that the 2005 Plan be approved by an ordinary resolution passed by a majority of the votes cast by holders of Common Shares present or represented by proxy at the Meeting, excluding any insider of Aecon who may benefit from the 2005 Plan. Accordingly, insiders of Aecon (other than Nova Scotia Company) will not be entitled to vote on the resolution.

The text of the resolution approving the Amended Plan is as follows:

“Be it resolved that:

1. The 2005 Plan, as set forth in Appendix 3 to the Circular, be and is hereby approved.
2. Any officer or director of the Corporation be and is hereby authorized for and on behalf of the Corporation to execute, whether under the corporate seal of the Corporation or otherwise, and deliver all such documents and instruments, and to do all such acts or things, as may be necessary or desirable to give effect to the foregoing.”

The Board of Directors has determined that the 2005 Plan is in the best interests of Aecon and its shareholders and therefore recommends that shareholders of the Corporation vote for the resolution approving the 2005 Plan. **Common Shares represented by proxies in favour of management will be voted in favour of the 2005 Plan, unless a Shareholder has specified in his or her proxy that his or her shares are to be voted against the approval of the 2005 Plan.**

#### **Shareholder Proposals**

In accordance with the provisions of the *Canada Business Corporations Act*, a Shareholder may be entitled to submit to the Corporation notice of any matter that the person proposes to raise at the next annual meeting and the Corporation shall set out such proposal and the accompanying supporting statement, if any, in the management proxy circular for the next annual meeting, provided such notice is given to the Corporation by February 10, 2006.

#### **AVAILABILITY OF DOCUMENTS**

Copies of the following documents are available upon request from the Corporate Secretary: the Corporation’s latest Annual Information Form; the 2004 Annual Report of the Corporation to Shareholders containing the comparative financial statements for the year ended December 31, 2004 together with the auditors’ report thereon and the Management’s Discussion and Analysis; Interim Financial Statements for periods subsequent to December 31, 2004; and this Circular. These documents are also available for review on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) website at [www.sedar.com](http://www.sedar.com).

#### **APPROVAL**

The contents and the sending of this Circular have been approved by the directors of the Corporation.



L. Brian Swartz  
Senior Vice-President, Legal and Commercial Services  
and Corporate Secretary

Dated at Toronto, Ontario  
May 11, 2005

## CORPORATE GOVERNANCE PRACTICES

| TSX Corporate Governance Committee Guidelines   | Does the Corporation Align? | Comments   |
|---|-----------------------------|--|
| 1. Board should explicitly assume responsibility for stewardship of the Corporation and adopt a formal mandate, specifically for:   | Yes                         | The Board of Directors is responsible for supervising the Corporation's management and business affairs and assumes responsibility for corporate stewardship and all major policy decisions. All fundamental decisions relating to the management of the Corporation are reviewed and approved in advance by the Board.  |
| (a) Adoption of a strategic planning process and approval of a strategic plan which takes into account, among other things, the opportunities and risks of the business                               | Yes                         | The Board participates in the strategic planning process as the acceptor/adopter of strategic plans developed and proposed by management. Key strategic matters are discussed thoroughly at board meetings and background and informal discussions between board meetings are very common. Discussion is encouraged and management benefits from the advice and guidance of the Board on important strategic issues. The Board participates each year in a strategic planning process with management pursuant to which management's strategic plans for the year are reviewed and, if thought appropriate, approved.  |
| (b) Identification of principal risks and implementing risk management systems  | Yes                         | The Board, on its own and through the Audit Committee, has specifically identified the Corporation's principal risks and manages these risks through regular appraisal of management's practices on an ongoing basis. In 2002 and since, the Corporation has embarked on the development of detailed risk management procedures; implementation and assessment is ongoing. The Board has not found it necessary to implement systems and policies to deal with risk management beyond the risk management procedures and policies already implemented or identified for implementation by management.  |
| (c) Succession planning and monitoring senior management  | Yes                         | The Board reviews its organizational structure and succession planning matters at least annually. The Compensation Committee and the Board monitor the performance of senior management generally. The addition of senior management over the past several years reflects a concerted effort to build a management team that can address succession issues.  |
| (d) Communications policies which address interaction with stakeholders, include measures to comply with disclosure obligations and avoid selective disclosure, and which should be reviewed annually | Yes                         | The Board oversees communications by the Corporation with shareholders, the investment community, the media, government and the general public. The Board has assigned public relations responsibilities primarily to the Chief Executive Officer and the Chief Financial Officer. The Board, through and with the assistance of senior management, has adopted a Disclosure Policy to ensure consistency in the manner that communications with the investment community, the media, government and the general public are managed and which requires compliance with disclosure laws. The Audit Committee and the Board review press releases containing the quarterly and annual results of the |

| TSX Corporate Governance Committee Guidelines   | Does the Corporation Align? | Comments  |
|---|-----------------------------|---|
|   |                             | Corporation prior to release.   |
| (e) Integrity of internal control and management information systems  | Yes                         | The Audit Committee has the responsibility to oversee the integrity of internal controls to manage information systems with respect to financial matters.   |
| 2. Majority of directors should be “unrelated”. If the Corporation has a significant shareholder, the Board should include a number of directors who do not have interests in or relationships with either the Corporation or the significant shareholder | Yes                         | Eight of the Corporation’s directors are unrelated. Messrs. John M. Beck and Scott C. Balfour are related directors. Both have significant equity participation. Messrs. Beutel, Butt, DiCiurcio, Kindbom, Lütkestratkötter, Rohr, Tobin and Wildeboer are unrelated directors, in that they are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholding.  |
| 3. Disclosure for each director whether he or she is related to the Corporation or significant shareholder and how that conclusion was reached  | Yes                         | <p>Mr. John M. Beck – Related – is the Chairman and Chief Executive Officer of the Corporation.</p> <p>Mr. Scott C. Balfour – Related – is the Executive Vice President and Chief Financial Officer of the Corporation.</p> <p>Mr. John A. DiCiurcio is the Executive Vice-President of Turner Construction Company, a subsidiary of Hochtief.</p> <p>Mr. Hans-Wolfgang Koch is a former member of the Executive Board of Hochtief, the major shareholder of the Corporation through its indirect control of Nova Scotia Company, and non-executive Deputy Chairman of the Corporation.</p> <p>Mr. Rolf Kindbom is a consultant and a director of HT Civil Canada Inc. and Hochtief Canada Inc., an affiliate of Hochtief.</p> <p>Mr. Martin Rohr is a member of the Executive Board of Hochtief..</p> <p>Mr. Michael A. Butt, Mr. Robert P. Wildeboer, Mr. Austin C. Beutel and the Honourable Brian V. Tobin, P.C. are not related to, nor do they have relationships with, Hochtief or the Corporation. Mr. Wildeboer is the non-executive Vice Chairman of the Corporation.</p> <p>Several directors have from time to time received payments for services rendered to the Corporation in addition to director fees (see “<b>Compensation of Directors</b>”), but the Board believes none of these relationships has interfered with the directors’ ability to act with a view to the best interests of the Corporation. Certain of</p> |

| TSX Corporate Governance Committee Guidelines   | Does the Corporation Align? | Comments  |
|---|-----------------------------|---|
|   |                             | the directors also hold significant numbers of shares of the Corporation, as described in the Management Information Circular.  |
| 4. (a) Appoint a committee responsible for appointment/assessment of directors                    | No                          | Due to the size of the Board and the fact that a significant majority of the Corporation's Common Shares are represented at the Board directly or through nominees, the Board has not created a stand-alone committee to deal with such matters. Rather, such determination is made by the Board as a whole. The Board fosters an ongoing open communication about all levels of corporate performance, including that of Board members.  |
| (b) Composed exclusively of outside directors, the majority of whom are unrelated                 | N/A                         |   |
| 5. Implement a process for assessing the effectiveness of the Board, its committees and directors | Yes                         | The Board monitors the effectiveness of the relationship between management and the Board, the effectiveness of Board operations, the operations of the Board committees and that of individual directors, to recommend improvements to each of the above. Because of the high level of Board member involvement in corporate decisions, the excellent attendance record of Board members at Board and Committee meetings, and the high level of corporate disclosure to directors, the Board believes the Board, its Committees and its members are very effective.  |
| 6. Provide orientation and education programs for new directors                                   | Yes                         | Reports relating to the Corporation's business and affairs are provided to new directors. New Board nominees for 2005 include persons associated with Hochtief, well versed in Aecon and its business in part as representatives of Aecon's largest shareholder, Hochtief. Mr. Austin C. Beutel has previously served on Aecon's Board of Directors, and as such is familiar with Aecon. The Honourable Brian V. Tobin, while new, has been given a wide variety of materials and has held exclusive meetings with management in order to familiarize himself with Aecon. He is also an experienced director. Typically, Board materials include information relating to current regulatory, accounting and financial issues, and the Board regularly discusses them at the Board or Committee level. In addition, Board members meet with senior management of the Corporation to review the business and affairs of the Corporation on an ongoing basis. In 2002 and since, Board members have been apprised in depth of a broad range of regulatory, accounting and corporate governance developments. |
| 7. Consider reducing size of Board and undertake, where appropriate, a program to establish a     | Yes                         | The Board has determined its size is appropriate for the Corporation at this time and offers the flexibility to respond quickly to corporate opportunities and challenges as they arise from time to time. The Board, as currently constituted, brings  |

| TSX Corporate Governance Committee Guidelines   | Does the Corporation Align? | Comments  |
|---|-----------------------------|---|
| board size which facilitates effective decision making  |                             | together a mix of skills, backgrounds and attitudes that the Board considers appropriate for the stewardship of the Corporation.  |
| 8. Committee of unrelated directors should review compensation of senior management and directors in light of risks and responsibilities    | Yes                         | The Compensation Committee and the Board as a whole periodically consider the compensation of directors and senior management and bring the resulting suggestions to the Board for its consideration. The Board recognizes that excellent director candidates and executives must be appropriately compensated. See “ <b>Compensation of Directors</b> ”.   |
| 9. Subject to Guidelines 8 and 13, committees should generally be composed of outside directors, a majority of whom are unrelated directors | Yes                         | The Audit Committee and the Human Resources & Compensation Committee are composed entirely of outside unrelated directors.  |
| 10. Board to expressly assume or appoint a committee responsible for approach to corporate governance issues                                | Yes                         | Given the size of the Board and the fact the majority of the Corporation’s shares are represented at the Board level directly or through nominees, the Corporation does not have a Corporate Governance Committee. However, the Board has assumed the responsibility for and regularly reviews matters pertaining to governance including: committee membership and mandates, making recommendations for change and for other such initiatives that may be deemed to be in the interest of the Board in order to improve corporate governance. The Board, as a whole, considers corporate governance matters at all times. Its committees are wholly composed of independent, unrelated directors. For the Board’s approach to corporate governance, see also “ <b>Corporate Governance</b> ”.  |
| 11.(a) Define limits to management's responsibilities by developing mandates for:   |                             |   |
| (i) the Board   | Yes                         | While there is no specific mandate for the Board beyond statutory and fiduciary obligations which create a mandate, Board Committees are given mandates, and each Board Committee adopted a charter in 2002, approved by the Board. Any responsibility which is not delegated to senior management or a Board committee, and even those that are delegated, remains the ultimate responsibility of the Board, which is ultimately responsible to the shareholders as a body. The Board of Directors has adopted a policy regarding limits of authority, which sets out in detail the particular authorizations which are required for the entering into of various corporate obligations. In addition to the approvals required by particular corporate officers, the policy prescribes when the authorization of the Board of Directors is |

| TSX Corporate Governance Committee Guidelines  | Does the Corporation Align? | Comments  |
|--|-----------------------------|---|
| (ii) the CEO   | Yes                         | required. This includes construction contracts of over \$100 million, capital transactions in excess of \$1.5 million, the investment of equity in projects, the participation in international projects, the acquisition or divestiture of operating companies and the provision of financial guarantees.<br><br>The written objectives and the strategic plan of the Corporation, as ultimately determined annually by the Board, constitute the mandate of the CEO.  |
| (b) Board should approve CEO's corporate objectives and assess the CEO against these objectives  | Yes                         | The Board, in conjunction with management, establishes the Corporation's corporate objectives and strategic plan annually which, in turn, are expected to be implemented by the CEO. The Board of Directors has not developed a formal position description or mandate for the Chief Executive Officer. There is regular discussion between the Board and the Compensation Committee, on the one hand, and the Chief Executive Officer, on the other, with respect to the performance of the Chief Executive Officer and members of management. This includes an assessment of their performance by the Compensation Committee as part of that Committee's review of compensation, benefits and option entitlements which is reported to its Board.   |
| 12. Implement structures and procedures which ensure that the Board can function independently of management                           | Yes                         | Board members are encouraged to independently review and comment on the business of the Corporation. Because the Board and management are constantly in contact regarding all matters, no formal procedures are generally required. Board Committees have charters, and can and do meet and operate independently of management in fulfilling their mandates and making recommendations to the Board. The Chief Executive Officer of the Corporation, John M. Beck, is also the Chairman of the Board. In the view of the Board the fact that Mr. Beck occupies both offices does not impair the ability of the Board of Directors to act independently of management. If it is considered advisable, certain matters are also considered by the Board without management present. The Deputy Chairman and Vice Chairman represent the Corporation's outside and unrelated directors in discussions with senior management on corporate governance issues and related matters. The Board may decide to adopt more formal structures if circumstances warrant. |
| 13(a) All members of the Audit Committee should be unrelated directors   | Yes                         | The three present members of the Audit Committee are unrelated directors.   |
| (b) All of the members of the Audit Committee should be financially literate and at least one member should have accounting or related | Yes                         | The Audit Committee members are experienced businessmen with significant financial expertise. All three members are persons who have been CEO or Chairman of their companies, are financially literate and have appropriate financial expertise. One is a chartered financial analyst. "Financially literate" means the ability to read and understand a balance sheet, an income statement, a cash flow  |

| TSX Corporate Governance Committee Guidelines  | Does the Corporation Align? | Comments   |
|--|-----------------------------|--|
| financial expertise  |                             | statement and the notes attached thereto. “Accounting or related financial expertise” is the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.  |
| (c) The Audit Committee should have direct communication channels with the internal and external auditors              | Yes                         | The Audit Committee meets with the external auditor on a quarterly basis and under the charter may do so at any time. At present, the Corporation does not have an internal audit function although this is being reviewed by the Audit Committee and management.  |
| (d) The Audit Committee is responsible for overseeing internal control   | Yes                         | In 2003, the Audit Committee commissioned an enterprise wide risk management assessment to consider an internal audit function. In 2004, in the aftermath of Bill 198, Aecon engaged Jefferson Wells to assist the Audit Committee and senior management in completing the documentation and assessments required to: (a) comply with Multilateral Instrument (“MI”) 52-111 “Reporting On Internal Control Over Financial Reporting”; and (b) comply with MI 52-109 “Certification of Disclosure”. The Audit Committee, senior management and Jefferson Wells are working diligently to ensure that all necessary controls and procedures are in place prior to the specified deadlines, Furthermore, in compliance with the provisions of MI 52-110 on May 11, 2005 the Board of Directors adopted a Whistle Blower Policy. |
| 14. The Audit Committee charter should set out explicitly the role and oversight responsibility of the Audit Committee | Yes                         | A formal charter was adopted in 2002 and is set forth in Appendix 2 of this Circular. It will be updated as appropriate to reflect regulatory requirements and changes.<br><br>The Audit Committee is mandated, among other things, to monitor audit functions, the preparation of financial statements, review press releases on financial results, review other regulatory documents as required and meet with outside auditors independently of management.   |
| 15. Implement a system to enable individual directors to engage outside advisors, at Corporation’s expense             | Yes                         | Outside advisors may be retained in accordance with the procedures set forth in the charters of the Board committees. No formal system for the engagement of outside advisors has been implemented. There is no policy in place prohibiting this activity or establishing specific guidelines as to how such arrangements are to be made. Outside advisors to the Corporation do on occasion meet directly with unrelated directors to discuss accounting, regulatory or governance issues.  |

## AUDIT COMMITTEE CHARTER

### **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 Corporation;
2. the compliance by the Corporation with applicable legal and regulatory requirements relating to audit and internal controls;
3. the independence, qualifications and performance of the Corporation’s external auditors; and
4. the Corporation'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 Corporation'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 Corporation’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 Corporation, 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 Corporation's auditors (subject to shareholder approval), shall approve all auditing engagement fees and terms and all non-audit engagements with the Corporation's auditors and shall determine which non-audit services the Corporation's auditors are prohibited from providing. The auditors shall be accountable to the Board and the Audit Committee as representatives of the Corporation's shareholders. The Audit Committee, as a committee of the Board, shall be directly responsible for the oversight of the work of the Corporation'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 Corporation or the Corporation’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 Corporation’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 Corporation's process for assessing significant risks or exposures and the steps Management has taken to monitor and control such risks to the Corporation.
2. Consider and review with Management and the independent auditors:
  - (a) The effectiveness of, or weaknesses in, the Corporation'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 Corporation'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 Corporation;
  - (b) Confirm that, in the auditor's professional judgment, it is independent of the Corporation; 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 Corporation.
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 Corporation'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 Corporation'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 Corporation’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 Corporation’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 Corporation’s major financial risk exposures and the steps Management has taken to monitor and control such exposures.
- 15. Review major changes to the Corporation’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 Corporation’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 Corporation regarding accounting or audit matters, and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding accounting or auditing matters.
- 20. Review disclosures made by the Corporation'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 Corporation's internal controls for financial reporting and evaluations thereof, and disclosure controls and procedures.

## PROPOSED 2005 STOCK OPTION PLAN

AECON GROUP INC.

May 11, 2005

## 1. Purpose

The purpose of the Stock Option Plan (the “**Plan**”) of Aecon Group Inc. (the “**Corporation**”) is to provide a means whereby the Corporation may, through the grant of options to purchase common shares of the Corporation (“**Common Shares**”) to officers, directors, employees and service providers (defined for the purposes hereof to be any person or company engaged to provide ongoing management or consulting services for the Corporation or for any entity controlled by the Corporation) of the Corporation, and of any affiliate or subsidiary of the Corporation, motivate officers, directors, employees and other service providers (including officers and directors who are not employees) to exert their best efforts on behalf of the Corporation, and any affiliate or subsidiary, and closely align the personal interests of such officers, directors, employees and service providers with those of the shareholders. Options to purchase Common Shares may be granted by the Corporation from time to time to officers, directors, key employees and service providers of the Corporation, or of any affiliate or subsidiary of the Corporation, or to personal holding corporations, the shares of which are held directly or indirectly by such optionees, and/or their spouses, and/or minor children or grandchildren, or to registered retirement savings plans established by and for the sole benefit of such optionees (such persons, corporations and plans shall be considered to be the class of eligible optionees hereunder).

## 2. Number of Shares Available Under Plan

Common Shares to be issued upon exercise of an option granted under the Plan shall be reserved on the date of the grant of an option for issuance upon exercise of such option.

a. **Maximum Number.** Subject to adjustment as provided in Subparagraph 4(i) below, the aggregate number of Common Shares which may be reserved for issuance under the Plan shall not exceed 2,500,000. The Common Shares reserved for issuance upon the exercise of an option that (a) expires unexercised, or (b) is exercised by the optionholder for the “In The Money Value of the Option” (as hereinafter defined) pursuant to subparagraph 4(c) below, shall be available for subsequent options under the Plan.

b. **Insiders.** Notwithstanding anything else herein contained:

- i. the number of Common Shares issued or issuable directly or indirectly from treasury, at any time, to insiders of the Corporation under the Plan and under any other employee stock option plans or other share compensation arrangements of the Corporation, shall not exceed 10% of the total number of the issued and outstanding Common Shares of the Corporation;
- ii. the number of Common Shares issued directly or indirectly from treasury, within any one-year period, to insiders of the Corporation pursuant to the Plan and under any other employee stock option plans or other share compensation arrangements of the Corporation, shall not exceed 10% of the total number of issued and outstanding Common Shares of the Corporation; and
- iii. the number of Common Shares issued directly or indirectly from treasury within any one-year period to insiders of the Corporation pursuant to the Plan and under any other employee stock option plans or other share compensation arrangements of the Corporation shall not exceed 5% of the total number of issued and outstanding Common Shares of the Corporation.

For the purposes of this subparagraph 2(b), “insider” shall have the meaning ascribed thereto in the Securities Act (Ontario) and shall include any associates (as defined in the Securities Act (Ontario)) and any affiliates (as defined in Section 601 of the Toronto Stock Exchange (“TSX”) Company Manual) of any insider.

c. **Individual.** The aggregate number of Common Shares which may be reserved for issuance to any one person under the Plan shall not exceed the number of Common Shares remaining after:

- i the aggregate number of Common Shares reserved for issuance under the Plan and under any other employee stock option plans or other share compensation arrangements of the Corporation held by such person on the date of the grant of any option;
- is subtracted from
- ii 5% of the aggregate number of Common Shares issued and outstanding (on a non-diluted basis) on the date of the grant of such option.

d. **Termination, Expiry, etc.** If any option granted under the Plan shall terminate, expire or, with the consent of the optionee and any applicable regulatory authority, be cancelled as to any Common Shares, new options may thereafter be granted covering such Common Shares, subject to applicable regulatory requirements.

### 3. Administration

a. **Supervision by Board.** The Plan shall be administered under the supervision of the board of directors of the Corporation or the compensation committee of the board of directors (both of which are referred to hereinafter as the “Board”).

b. **Powers of Board.** Subject to the provisions of the Plan, the Board shall have the power to:

- i. determine and designate from time to time those persons to whom options are to be granted and the number of Common Shares to be optioned thereto; and
- ii. determine the time or times when, and the manner in which, each option shall be exercisable and the duration of the exercise period.

c. **Other Options and Purchase Plans.** An officer, director, employee or service provider who has been granted an option may, if the person is otherwise eligible, be granted an additional option or options under this Plan or any other option or purchase plans of the Corporation if the Board shall so determine.

d. **Interpretation: Rules and Regulations.** The Board may interpret the Plan, prescribe, amend and rescind any rules and regulations necessary or appropriate for the administration of the Plan, and make such other determinations and take such other actions as it deems necessary or advisable. Without limiting the generality of the foregoing, the Board may, in its discretion, treat all or any portion of any period during which an optionee is on an approved leave of absence from the Corporation, or an affiliate or subsidiary of the Corporation, as a period of employment of such optionee by the Corporation, or such affiliate or subsidiary, as the case may be, for the purpose of accrual of the optionee’s rights under the optionee’s option. Any interpretation, determination or other action made or taken by the Board shall be final, binding and conclusive.

### 4. Terms and Conditions

Each option granted under the Plan shall be evidenced by an agreement, in a form approved by the Board, which shall be subject to the following express terms and conditions and to such other terms and conditions as the Board may deem appropriate:

a. **Option Period.** Each option agreement shall specify the period for which the option thereunder is exercisable (which in no event shall exceed 10 years from the date of grant) and shall provide that the option shall expire at the end of such period.

b. **Option Price.** The option price per Common Share shall be determined by the Board at the time any option is granted but in no event shall such price be lower than the Market Price (as hereinafter defined) at the time of the grant.

“**Market Price**” means: the volume weighted average trading price of the Common Shares of the Corporation on the TSX, or another stock exchange where the majority of the trading volume and value of the Common Shares occurs, calculated by dividing the total value by the total volume of Common Shares traded for the five (5) trading days immediately preceding the date of the option grant. In certain exceptional circumstances and where appropriate, the TSX or another exchange may exclude certain trades from this calculation and adjust the market price accordingly. If the securities are suspended from trading or have not traded on the TSX or another exchange for an extended period of time, the market price will be the fair market value of the listed securities as determined by the Board.

c. **Cash Settlement Alternative.** Each option shall include a Cash Settlement Alternative. A Cash Settlement Alternative shall provide the optionee (or in the event of the death of the optionee, the optionee’s executors or personal representatives) with the right to receive, subject to approval by the Human Resources and Compensation Committee of the Board of Directors (the “**HRCC**”), upon the exercise of the option (in accordance with the terms of the option) the In the Money Value of the Option in lieu of purchasing the number of Common Shares then purchasable under the option (“Cash Payment Request”). The HRCC has discretionary authority to accept or reject a Cash Payment Request. Each Cash Payment Request shall be reviewed by the HRCC on a case by case basis and the decision of the HRCC to accept or reject such request shall be binding on an optionee in accordance with the terms of the option.

In the Money Value of the Option shall mean the amount by which the weighted average trading price per Common Share on the TSX for the Pricing Date exceeds the Option Price per Common Share multiplied by the number of Common Shares for which the option is exercised. The “Pricing Date” shall be the date of exercise (or if the Common Shares do not trade on the TSX on the exercise date, the next date on which the Common Shares trade) provided that notice of the exercise of the option is received by the Secretary of the Corporation on or before 9:30 a.m. local time on the exercise date. If notice of exercise is received by the Secretary of the Corporation after 9:30 a.m. on the exercise date, the Pricing Date shall be the next date upon which the Common Shares trade on the TSX.

d. **Exercise of Option.** The Board may specify in any option agreement or resolution authorizing options: (i) that no part or parts of any option may be exercised until the optionee shall have remained in the employ of, or been an officer or director of, or provided services to, the Corporation or an affiliate or subsidiary of the Corporation, for such period after the date on which the option is granted as the Board may specify in the option agreement or resolution; or (ii) that any options shall not be exercisable until such vesting period or periods as may be specified by the Board shall have elapsed.

e. **Payment of Purchase Price Upon Exercise.** Subject to Subparagraph 4(c), the purchase price of the shares for which an option shall be exercised shall be paid in cash or by cheque to the Corporation at the time of exercise.

f. **Exercise in the Event of Death or Termination of Employment, etc.**

- i. If an optionee shall die (or, if the optionee is a personal holding company controlled by, or a registered retirement savings plan established by, an employee, director, officer or service provider, then if such person shall die) (A) while an employee, officer or director of or providing services to the Corporation, or of an affiliate or subsidiary of the Corporation, or (B) within 30 days after termination of the optionee’s employment, office or directorship with or service to the Corporation, or an affiliate or subsidiary of the Corporation, in accordance with clause (ii) or (iii) below, the optionee’s option shall expire upon the earlier of 12 months from the date of death and the expiration date specified in accordance with Subparagraph 4(a) above. In the case of optionees who are natural persons, such right of exercise may be exercised, to the extent that the optionee shall have been entitled to do so at the date of death, by the person or persons to whom

the optionee's rights under the option pass by will or applicable law, or if no such person has such right, by the optionee's executors or administrators.

- ii. If an optionee's (or, if the optionee is a personal holding company controlled by, or a registered retirement savings plan established by, an officer, director, employee or service provider, then if such person's) employment, office or directorship with or services to the Corporation, or an affiliate or subsidiary of the Corporation, shall terminate because of the optionee's permanent disability, the optionee may exercise the optionee's option, to the extent the optionee may be entitled to at the date of the termination of the optionee's employment, office, directorship or services, at any time, or from time to time, within six months of the date of the termination of the optionee's employment, office, directorship or services, but in no event later than the expiration date specified in accordance with Subparagraph 4(a) above;
- iii. If any optionee's (or, if the optionee is a personal holding company controlled by, or a registered retirement savings plan established by, an officer, director, employee or service provider, then if such person's) employment, office or directorship with or services to the Corporation, or an affiliate or subsidiary of the Corporation, shall terminate for any reason other than the optionee's death or permanent disability, the optionee may exercise the optionee's option, to the extent that the optionee may be entitled to do so at the date of the termination of the optionee's employment, office, directorship or services, at any time or from time to time, within 90 days of the date of termination of the optionee's employment, office, directorship or services, but in no event later than the expiration date specified in accordance with Subparagraph 4(a) above; provided that in the case of termination of employment or office for cause, the optionee's right to exercise the optionee's option shall cease forthwith upon notice of such termination being given;
- iv. In the event of termination in (i), (ii) or (iii) above, the Board shall have the discretion, in appropriate circumstances, to extend the period for exercise of the optionee's option in the case of employees for up to three years and in the case of directors and service providers for up to one year, but in no event later than the expiration date specified in accordance with subparagraph 4(a) above.

g. **Non-transferability**. No option granted under the Plan shall be transferable or assignable other than by will or by the laws of descent and distribution. During the lifetime of the optionee, an option shall be exercisable only by such optionee. In the event that a personal holding company which was controlled by an officer, director, employee or service provider ceases to be so controlled, any options granted hereunder to such personal holding company and then outstanding shall immediately terminate and be of no further force or effect.

h. **Investment Representation, Listing and Regulation**.

- i. No option shall be granted and no Common Shares shall be issued under the Plan unless and until the Plan shall have been approved by the TSX, if such approval is required under the by-laws and rules of the TSX.
- ii. Each option shall be subject to the requirement that, if at any time the Board shall determine, in its discretion, that the registration, qualification or other approval of or in connection with the Plan or the Common Shares covered thereby is necessary or desirable under any provincial or federal law, then such option may not be exercised, in whole or in part, unless and until such registration, qualification or approval shall have been obtained free of any condition not acceptable to the Board. The optionee shall, to the extent applicable, cooperate with the Corporation in relation thereto and shall have no claim or cause of action against the Corporation or any of its officers, directors or shareholders as the result of any failure by the Corporation to take any steps to obtain any such registration, qualification or approval.

- iii. The granting of options and the issuance of Common Shares under the Plan shall be carried out in compliance with applicable statutes and with regulations of governmental authorities and applicable stock exchanges.

i. **Adjustments in Event of Change of Common Shares**. Subject to any required approvals of applicable regulatory authorities and stock exchanges, in the event of any change in the Common Shares by reason of any stock dividend, recapitalization, merger, consolidation, split-up, combination or exchange of shares, or rights offering to purchase Common Shares at a price substantially below fair market value, or of any similar change affecting the Common Shares, the number and kind of shares which thereafter may be optioned and sold under the Plan and the number and kind of shares subject to option in outstanding option agreements and the purchase price per share thereof shall be appropriately adjusted consistent with such change in such manner as the Board may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, participants in the Plan.

j. **Liquidation**. In the event the Board shall adopt a plan of complete liquidation, all options shall become immediately exercisable in full, notwithstanding that they may have been initially granted on an instalment basis.

k. **No Rights as Shareholder**. No optionee shall have any rights as a shareholder with respect to any Common Shares subject to the optionee's option prior to the date of issuance to such optionee of a certificate or certificates for such shares.

l. **No Rights to Continued Employment**. The Plan and any option granted under the Plan shall not confer upon any optionee any right with respect to continuance of employment or as an officer or director with or service provider to the Corporation, or any affiliate or subsidiary of the Corporation, nor shall they interfere in any way with the right of the Corporation, or any affiliate or subsidiary of the Corporation, by which an optionee is employed or of which the optionee is a director or service provider to terminate the optionee's employment or directorship or services at any time in accordance with applicable law.

m. **Financial Assistance**. At the discretion of the Board and subject to applicable law, the Corporation may provide financial assistance to any optionee to assist in the exercise of options granted hereunder, such assistance to be in such form and on such terms as the Board may approve including, without limiting the generality of the foregoing, by way of loan which may be interest-bearing or non-interest-bearing, recourse or non-recourse, and secured or unsecured.

## 5. **Amendment and Discontinuance**

Subject to any required approval of any regulatory authority or stock exchange, the Board may at any time or from time to time suspend, terminate or discontinue the Plan. Subject to any required approval of any regulatory authority or stock exchange, the Board may at any time alter, amend or vary the Plan without the approval of the shareholders of the Corporation, if the alteration, amendment or variance:

- (a) is of a housekeeping nature, including without limitation, for the purpose of curing any ambiguity, error or omission in the Plan or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;
- (b) is necessary to comply with applicable law or the requirements of any stock exchange on which the Common Shares of the Corporation are listed;
- (c) changes the vesting provisions of any option;
- (d) changes the termination provisions of an option or the Plan which does not entail an extension beyond the original expiry date;

- (e) amends the plan to include a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the maximum number of Common Shares reserved for issuance under the Plan;

provided that, subject to Subparagraph 4(i), in the case of any alteration, amendment or variance referred to in Subparagraph 5(a) or (b) the alteration, amendment or variance does not:

- (f) amend the number of Common Shares issuable under the Plan;
- (g) change the class of eligible participants to the Plan which would have the potential of broadening or increasing participation by insiders of the Corporation;
- (h) result in a significant or unreasonable dilution in the number of outstanding Common Shares; or
- (i) provide additional benefits to eligible participants at the expense of the Corporation and its existing shareholders.

**6. Proceeds from Sales of Common Shares**

Any cash proceeds from the sale of Common Shares issued upon exercise of the options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

**7. Term of Plan**

Options may be granted only within 10 years from the date the Plan has been adopted by the Board.

**8. Pre-Existing Plan Terminated**

The granting of options under the pre-existing stock option plan of the Corporation shall be forthwith ceased, without prejudice to any options or rights granted under, or option agreements entered pursuant to, such plan. Nothing herein shall prejudice any options or rights granted pursuant to the 1998 Stock Option Plan (as amended on July 20, 2000).