

Aecon Group Inc.

RENEWAL ANNUAL INFORMATION FORM

March 31, 2005

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this document or incorporated herein by reference may constitute "forward-looking statements". These forward-looking statements can generally be identified as such because of the context of the statements including words such as the Corporation "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation, or general industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, without limitation: general economic and business conditions which will, among other things, impact demand for and market prices of the Corporation's services; foreign currency and exchange rates; economic conditions in the countries and regions in which the Corporation conducts business; the ability of the Corporation to implement its business strategy; actions by governmental authorities including governmental demand for the services provided by the Corporation; government regulations and the associated expenditures required to comply with said regulations (especially safety and environmental laws and regulations); seasonal weather conditions; labour unrest or a strike involving the Corporation's unionized workers; costs or penalties associated with unanticipated delays in project completion; the continued ability of the Corporation to successfully bid for large scale development projects; risks associated with the use of guaranteed maximum price contracts; and other circumstances affecting revenues and expenses. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future considering all information then available. See "Risks".

Readers are cautioned that the foregoing list of factors is not exhaustive. Although the Corporation believes that the expectations conveyed by the forward-looking statements are reasonable based on information available to it on the date such forward-looking statements are made, no assurances can be given as to future results, levels of activity and achievements. All subsequent forward-looking statements, whether written or oral, attributable to the Corporation or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Corporation assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

ITEM 1

CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

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

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

1.2 Intercorporate Relationships

As at December 31, 2004, its most recent fiscal year end, Aecon conducted its business principally through the following direct subsidiary companies, all of which are wholly owned by Aecon:

Subsidiary	Jurisdiction of Incorporation
Aecon Construction and Materials Limited	Ontario
Aecon Construction Group Inc.	Canada
Groupe Aecon Ltée	Quebec

1.3 Joint Ventures

Aecon also conducts a substantial portion of its business through joint ventures with other Canadian and international companies. The Cross Israel toll highway project (the “Cross Israel Highway”), the Nathpa Jhakri hydro-electric project in India (the “Nathpa Jhakri Project”) and the Pearson International Airport’s new terminal project (“Pearson Airport Project”) constitute the Corporation’s three most significant joint ventures. As of January 24, 2005, following the exit of a minority partner, Aecon has an effective 25% interest in the Cross Israel Highway concessionaire, an effective 33.3% interest in the construction joint venture, which has completed construction of the highway, and an effective 31% interest in the operator company which currently operates the Cross Israel Highway. Aecon has a 45% interest in the joint venture which built the Nathpa Jhakri Project and a 50% interest in the joint venture building the Pearson Airport Project.

ITEM 2

GENERAL DEVELOPMENT OF THE BUSINESS

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

Significant business developments during the Corporation's past three financial years were as follows:

2.1 Acquisitions and Divestitures

Westeinde Construction Ltd.

In November 2003, Aecon acquired the assets and operations of Westeinde Construction Ltd. ("Westeinde"). At the time, Westeinde was a private company based in Ottawa, Ontario. As a result of the acquisition, Aecon's capacity and market knowledge as it relates to the Buildings business in the Ottawa area and certain other specific markets was significantly increased. Westeinde was subsequently amalgamated with Aecon Construction Group Inc ("ACGI").

Cegerco CCI Inc.

In May 2004, Aecon acquired the assets and operations of Cegerco CCI Inc. ("Cegerco"). At the time Cegerco was a subsidiary of Groupe Cegerco Inc., a private company based in Chicoutimi, Quebec. As a result of the acquisition, Aecon's capacity and market knowledge as it relates to the Buildings business in the Montreal area was significantly increased.

Canatom NPM Inc.

In December 2004, Aecon sold its shares of nuclear engineering company Canatom NPM Inc. to SNC-Lavalin, the majority shareholder in the former joint venture (Aecon 38.75%, SNC-Lavalin 61.25%). Under the terms of the sale, Canatom paid Aecon a \$2.75 million dividend prior to the sale. SNC-Lavalin then bought Aecon's shares in Canatom for \$8.25 million, resulting in total proceeds to Aecon of \$11 million. As a result of the divestiture, Aecon will realize a return on its investment and will continue to build on its 30 years of experience in the nuclear engineering and construction sector without the non-competition restrictions that were in place as part of the joint venture.

2.2 Outlook

Aecon ended 2004 with a greater volume of new business awards and a larger backlog of work compared to a year earlier. New business awards increased to \$1.02 billion, an 8.7% increase over 2003, and backlog increased 3.4% from a year earlier to \$565 million despite a \$26 million reduction in backlog from Aecon's major projects in Israel and India.

The increase in backlog included an 8.7% rise in core backlog over the year, continuing a general upward trend that has seen core backlog increase by over 30% since the beginning of 2002. Major projects backlog, consisting of Aecon's major projects in Israel and India, fell to virtually zero as both of these projects were substantially completed in 2004 and have only minimal levels of clean-up work remaining in backlog. Major projects backlog is expected to jump sharply in 2005 as the anticipated closing of the new Quito International Airport ("Quito" or "Quito Airport") project is expected to bring approximately \$250 million into Aecon's major projects backlog.

In the Infrastructure segment, Aecon's Ontario road building business is expected to show improvement once again in 2005. Although it is anticipated that Ontario's Ministry of Transportation ("MTO") will continue its relatively slow rate of highway construction spending (as compared to traditional levels), a continued focus on non-MTO work is expected to result in increased revenues and profit contributions from this sector.

The ongoing recovery of Ontario's telecommunications sector as well as Aecon's continued strong relationship with Union Gas and a series of recent initiatives to reduce staff and improve fleet efficiency, should lead to stronger financial results from the utilities sector in 2005.

In Quebec, Aecon is currently working on two large projects for Hydro Quebec (the Toulnostouc and Eastmain projects), neither of which have met profit expectations - leading to a re-evaluation of Aecon's interest in bidding this type of work. It is expected that a continued focus on change order management and the settlement of a number of important issues with key client Hydro Quebec will lead to an improvement in the financial results reported from this division in 2005.

In recent years, Aecon has benefited significantly from construction income generated from two large international projects: the Cross Israel highway and the Nathpa Jhakri hydro-electric project in India. With construction on both of these projects being substantially completed in 2004 and significant construction on the Quito project not likely to begin until the third quarter of 2005, Aecon does not expect to report material construction income from a major international project in 2005. Under Aecon's accounting policy for large multi-year contracts, profit is recognized only when progress reaches a stage of completion sufficient to reasonably determine the probable results (generally when the contract is 20% complete), which is not expected to occur on the Quito project until 2006.

Nonetheless, reaching financial close on the Quito project will be significantly cash positive, as following financial close Aecon will be reimbursed for all its previously expensed and capitalized bid costs as well as its development and internal costs, which will facilitate Aecon's ability to self finance its planned equity investment in the project without any further expected contribution from treasury resources. The signing of all required documents is expected in April 2005, with satisfaction of the final conditions precedent expected approximately 90 days thereafter.

Tolling and operations on the Cross Israel Highway are functioning well. Average traffic has reached over 65,000 cars per day – more than one third of the traffic recorded on Toronto's Gardiner Expressway and in line with our forecast. While this cost accounted investment will not contribute to accounting profits until interest and/or dividends are received, which is not expected before 2009, the investment is on track to provide an annualized 14-19% after tax return (see Section 3.1.4 Business Operations – Major Projects for more detail).

After a difficult year in 2004, Aecon's Buildings segment is expecting significant improvement and a return to profitability in 2005. The turnaround is expected to be driven by elimination of one time restructuring and integration costs incurred in 2004 and by improved project margins as new project risk management processes and cost controls implemented late in 2004 take hold thus reducing the potential for margin erosion.

Although the increase in revenues in the Buildings segment is a positive indicator of continued growth in this segment, it may tend to mask the continued softness of commercial based construction. While institutional construction remains strong, this sector generally includes a greater portion of lower margin 'hard bid' work and less of the higher margin 'construction management' or 'negotiated' work. Nonetheless, the increase is a positive indicator of continued opportunities for profitable growth in the segment.

The largest improvement in the Buildings segment is expected in Aecon's Ottawa business unit (formerly Westeinde Construction, acquired by Aecon in 2003), where a number of changes, including significant staff reductions, an increase in new work, the completion of a number of troublesome projects which began in 2003 and the adoption of new project controls are all expected to have a positive impact. While it may be 2006 before this business unit returns to profitability, a significant turnaround is expected in 2005.

Aecon's Industrial segment is expected to show strong improvement in 2005, with increased revenue and profit contributions as compared to 2004. Aecon's fabrication business in Ontario is expected to increase its profit contribution as volume growth (largely from new project awards) and increased productivity lead to improved margins. Significantly, the western operations business unit is expected to take advantage of the very strong market in northern Alberta's oil sands, with significant revenue and margin growth.

While the backlog levels and sales prospects of Innovative Steam Technologies ("IST") appear very encouraging, many of its near term sales prospects have been delayed due to project commencement delays by its clients, such that any further delays in these projects and thus sales for IST, may jeopardize IST's profit growth in 2005.

Overall, the expected turnaround in Aecon's Buildings segment, the continued improvement in Infrastructure segment operations in Ontario, the stabilization and improvement in Quebec infrastructure operations and stronger profit contributions from the Industrial segment are expected to result in a significant improvement and a return to profitability in 2005.

ITEM 3

DESCRIPTION OF THE BUSINESS

3.1 General

3.1.1 Company Overview

Aecon is Canada's largest publicly traded construction and infrastructure development company. It serves both private and public sector clients across Canada and internationally, with services ranging from financing, design, construction and operation to procurement, materials engineering and fabrication. Active since 1910, Aecon is one of the most diverse companies in its industry.

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

Infrastructure

Aecon's Infrastructure segment, which accounted for approximately 45% of the Corporation's consolidated revenues in fiscal 2004, is Aecon's largest segment from a revenue perspective. The Infrastructure segment includes all aspects of the construction and development of both public and private infrastructure, including roads and highways, principally within the Province of Ontario, as well as toll highways, dams, tunnels, bridges, airports, marine facilities, transit systems and power projects domestically and internationally. This segment includes the manufacture and supply of asphalt and aggregate products, and the construction and/or installation of utility distribution systems for natural gas, telecommunications and electrical networks, as well as water and sewer mains, traffic signals and highway lighting also principally within the Province of Ontario

Services provided in the Infrastructure segment include conventional construction of civil and utilities infrastructure works as well as development initiatives including the development, design, construction, operation and financing of infrastructure projects in Canada and, on a selective basis, internationally. Aecon provides a full range of infrastructure services through build-operate-transfer ("BOT"), build-own-operate-transfer ("BOOT") and public private partnership ("PPP") contract structures, as well as providing conventional construction services

on a more traditional fee for service or lump sum contract basis. See Section 3.1.2 "Industry Background and Trends - Infrastructure Development".

Buildings

Aecon's Buildings segment, which accounted for approximately 36% of the Corporation's consolidated revenues in fiscal 2004, specializes in the construction and renovation of commercial, institutional and multi-family residential buildings, including retail complexes, office buildings, entertainment facilities, schools, embassies and high rise condominium buildings among others.

Work in this segment is concentrated primarily in Canada and the northwestern United States and is carried out through offices in Toronto and Ottawa, Ontario, Montreal, Quebec, Halifax, Nova Scotia, Vancouver, British Columbia and Seattle, Washington. Services include general contracting and fee for service construction management.

Industrial

The Industrial segment, which accounted for approximately 19% of the Corporation's consolidated revenues in fiscal 2004, encompasses all of Aecon's industrial construction and industrial manufacturing activities. Activities include cogeneration plants, in-plant construction and module assembly in the manufacturing, energy, petrochemical, nuclear, steel and automotive sectors as well as the fabrication of small and large diameter specialty pipe and the design and manufacture of once-through heat recovery steam generators for industrial and power plant applications.

Although activity in this segment is concentrated primarily in Canada through its offices in Cambridge, Ontario and Edmonton, Alberta with selected projects in the United States, Aecon sells and installs once-through steam generators throughout the world through IST.

3.1.2 Industry Background and Trends

Construction

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

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

As such, it is common in Canada that a dominant firm in, for example, industrial construction does not compete at all in the road building or commercial construction sectors, just as the market leaders in those sectors do not compete outside of their defined specialty. In this respect, Aecon, with its breadth of operations and experience, is one of the exceptions.

Another factor important to the Canadian construction industry is the seasonal nature of the industry. The Canadian climate dictates that much of the construction work must be done in the

late spring, summer and fall months. For this reason, construction firms in Canada tend to show operating losses in the first quarter of the year, with improved results in the second and especially third quarters. This seasonal pattern is reflected in employment levels within the industry and tends to increase the importance of a company's ability to manage its fixed costs, equipment and manpower.

In the broadest sense, the Canadian construction market is self-contained in that the large majority of construction work carried out in Canada is performed by Canadian firms. To the extent international competition is a factor, it is usually limited to large infrastructure projects and is normally performed in concert with a Canadian partner. Similarly, the vast majority of Canadian construction firms limit their focus to the Canadian market.

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

Although the Canadian economy slowed in 2001 and again in 2003, growth has generally been steady with the economy currently in its 14th year of growth since the last recession. The Ontario economy, Aecon's most important geographic market, has generally outperformed the national average in terms of economic growth since 1992 but with slower than average growth in 2003 and 2004. The value of Ontario construction work has posted steady gains annually and grown substantially since 1998. Construction spending was \$49 billion in 2003 and is expected to rise to \$54 billion (in constant 2003 dollars) by 2007. (Source: Clayton Research)

Infrastructure Development

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

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

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

The changed role for government can be politically sensitive or even controversial in some instances. For this reason, the general trend towards PPPs seen elsewhere in the world may be constrained from time to time in the Canadian context by a hesitance on the part of some governments to move forward with what may be perceived as a politically risky initiative.

Nonetheless, the trend toward PPPs in the development of infrastructure has led to growth in the number of fixed-price turnkey packages of goods and services, often including the private provision of financing for the project. As such, infrastructure development must increasingly be led by firms that can combine design and construction capabilities with the financial resources and expertise necessary to arrange project financing (often including direct equity participation) and the subsequent operation of the facility.

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

3.1.3 Business Strategy

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

Operational Diversity

Aecon's operational diversity and broad revenue base allows it to capitalize on opportunities in a variety of sectors within the industry while mitigating the effects of a cyclical downturn in any one sector. The diverse nature of Aecon's operations also provides it with cross-selling opportunities and allows it to participate in projects beyond the scope of any one discipline or division. Further, interdivisional cooperation allows for synergies and cost savings across the Corporation through economies of scale and resource sharing.

Divisional Autonomy

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

Industry Innovator

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

Aecon placed an early and high priority on the development of these skills, enabling it to capitalize on a number of the emerging opportunities created by this trend. Initiatives included: development of customer alliances featuring open book 'target based pricing' to improve

efficiencies; establishment of partnerships to pursue infrastructure development and PPP projects and; creation of large project alliances to enhance Aecon's ability to deliver large and/or complex civil construction projects. As a result, Aecon has established itself as a leader in innovative alliances, PPPs and large project development in Canada.

Other examples of Aecon's innovative approach include its unique once through steam generator design, using proprietary technology for heat recovery steam generators and the establishment of a materials engineering group to provide quality testing and research services.

Building on the Hochtief Relationship

Aecon's strong relationship with its largest shareholder, Hochtief AG ("Hochtief"), and other members of the Hochtief group (including Turner Construction in the United States and Leighton Holdings in Australia) provides many opportunities for cooperative ventures of significant benefit to Aecon. In the past, Aecon has participated in cooperative bids with Hochtief companies, benefited from Hochtief's global procurement program, accessed Hochtief's European network of relationships to create new opportunities for Aecon divisions, received referral business from Turner and shared business practices, processes and data with Hochtief companies.

In 2003, Aecon entered into a cooperation agreement with Hochtief Construction AG and established its first construction joint venture for the construction of a hydro-electric facility in Northern Quebec. Building on these relationships with Hochtief companies, primarily in the buildings, heavy civil, PPP and industrial sectors, is a key part of Aecon's growth strategy.

In July 2004, Aecon shareholders voted not to approve an amalgamation proposal that would have resulted in Hochtief Canada Inc., a wholly owned subsidiary of Hochtief, holding all the outstanding shares of Aecon and taking the Corporation private. As of the date hereof, Hochtief has not indicated its intentions with respect to its equity holdings in Aecon. However, during the course of the privatization initiative, Hochtief had indicated its ownership position would not remain in the 48% range and that its intention was to either increase or decrease its holdings in the Corporation.

In December 2004, Hochtief changed the ownership of its 14,429,330 common shares of Aecon when Hochtief Canada Inc. (a wholly owned subsidiary of Hochtief) sold the shares to 3094499 Nova Scotia Company, a subsidiary of The Turner Corporation, an indirect wholly owned subsidiary of Hochtief.

Focus on the Canadian Market

While international projects have often been important sources of revenue and income for Aecon over the years, Canada remains Aecon's core market and its primary business development focus. Strong prospects within Canada are expected to allow an increased concentration on the Canadian market over the next few years. In addition to having a positive impact on bid costs and corporate focus, this increased concentration on the Canadian market should also serve to lower Aecon's risk profile.

Continued Growth

Although Aecon's strategy is to grow organically and geographically, acquisitions continue to be a key element of the Corporation's plans for growing its business. Aecon's most recent acquisitions are the 2003 acquisition of the assets and operations of Westeinde Construction Ltd. of Ottawa, Ontario and the 2004 acquisition of the assets and operations of Cegerco CCI Inc. of Boucherville Quebec, near Montreal. As the right opportunities arise, acquisitions remain an important component of Aecon's growth strategy.

3.1.4 Business Operations

a) Infrastructure

Infrastructure is Aecon's largest operating segment and includes all aspects of the development and construction of Infrastructure. Aecon conducts its Infrastructure operations through a number of wholly owned subsidiaries and business units as well as through a number of joint ventures. Primary among these are:

- Aecon Construction and Materials Limited which specializes in road and bridge construction as well as the provision of construction products and materials;
- Aecon Constructors, specializing in heavy civil construction such as dams and tunnels;
- Aecon Utilities, one of Canada's largest utilities contractors;
- Groupe Aecon Ltée, a Quebec based construction company with expertise primarily in civil, buildings and industrial construction; and
- Aecon Infrastructure and Canadian Highways Infrastructure Corporation, infrastructure developers with capabilities in the design, construction, financing and operation of infrastructure projects in both Canada and internationally.

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

Infrastructure Development

Aecon entered the infrastructure development business in 1990 through its participation in the redevelopment of the Prague International Airport in the Czech Republic. Since that time, Aecon has established itself as a leader in the Canadian infrastructure development industry, resulting in the award of the contract to design, build, operate and transfer Highway 407 in Toronto, Ontario to Canadian Highways International Corporation, in which the Corporation was a founding member.

The success of the Highway 407 project has led directly to two additional toll road developments for Aecon: (a) the Highway 104 Cobequid Pass Toll Highway in Nova Scotia, which opened in 1997; and (b) the US\$1.2 billion Cross Israel Toll Highway which is now fully opened and tolled. Both projects involved design, build, finance and operate contracts.

Since 2002, when a series of core agreements were signed relating to the proposed development, financing, construction and operation of the Quito Airport in Quito, Ecuador, Aecon and its partners in Corporacion Quiport S.A. (holder of the development and construction rights for the airport) have been working diligently to achieve closing of all financial arrangements for the new development. The signing of required documentation is expected in April 2005, with satisfaction of the final conditions precedents expected approximately 90 days thereafter.

Aecon participates in infrastructure development, usually in joint venture arrangements, primarily through design, build, operate, transfer and design, build, own, operate and transfer contracts in both Canada and internationally.

Road Building

One of Aecon's longstanding core businesses is the provision of road and bridge construction services for both the private and public sectors. Aecon's key clients in this area are provincial and municipal governments, primarily in Ontario and Quebec, for whom Aecon has over the years constructed, expanded and maintained thousands of miles of roads, bridges and highways.

Other important clients for these services are the government of Canada and its agencies, for whom Aecon builds and maintains airport runways, marine facilities and similar infrastructure, and commercial developers to whom Aecon provides site development services such as subdivision grading and the construction of concrete curbs, sidewalks, parking facilities and roads. Since its predecessors began building roads in 1929, Aecon has become one of the largest road builders in Ontario.

Aecon's subsidiary, Miwel Construction, provides a profitable customer base within certain construction markets as well as expertise in winter road maintenance activities.

The large majority of Aecon's work in the road building and maintenance sector is won through low bid fixed-price tenders.

Heavy Civil Construction

In addition to its road building activities in Ontario and Quebec, Aecon also provides heavy civil construction services in Canada, the United States and internationally. These services include civil works construction of large-scale hydro power developments, complex building structures, transit systems, bridges, dams, tunnels, toll roads and expressways.

Aecon's experience in heavy civil construction includes international projects such as the Cross Israel toll highway and the Nathpa Jhakri hydro-electric project, and domestic projects such as the Eastmain and Toulouste hydro-electric dams in Quebec and parts of the Sheppard Subway system in Toronto, Ontario.

Most of Aecon's work in the heavy civil construction sector is obtained through fixed-price tenders or design-build contracts and is normally carried out through joint ventures.

Utilities Construction

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

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

Most utilities construction work is traditionally awarded on a fixed-price basis, with compensation based on the units of work performed. However, Aecon has pioneered a successful new "client alliance" model based on open book cost reimbursable work with fees earned upon the achievement of client savings and other performance targets.

Construction Products and Materials Engineering

Aecon owns production rights at five aggregate reserves in Ontario including two gravel pits in Caledon, one at which Aecon shares production rights with Lafarge Canada Inc., a limestone quarry near Ottawa, a gravel pit in Dumfries and a former iron ore mine in Marmora. Management estimates that, as of December 31, 2004, the Corporation's remaining reserves were as follows:

Caledon	-	33 million tonnes
Pinchin	-	4 million tonnes
Ottawa	-	22 million tonnes
Marmora	-	78 million tonnes
Oliver	-	8 million tonnes

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

Aecon also operates a permanent asphalt plant in Brampton, Ontario and three mobile asphalt plants that produce a secure, cost effective supply of asphalt for Aecon job sites, providing a competitive advantage in securing new contracts for asphalt intensive projects. The plants also provide a source of revenue and profit from the sale of asphalt materials to third parties.

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

Major Projects

The Corporation is currently involved in a number of significant projects, both domestically and internationally. Among others, these projects include the operation of the Cross Israel Highway, the construction of the Nathpa Jhakri Project and the new terminal redevelopment project at Pearson Airport, including a major expansion to Terminal 3.

Pearson Airport

Aecon is playing a leading role as a 50% partner in the joint venture managing construction of the new \$4.4 billion terminal building of the Pearson International Airport redevelopment. Commissioned by the Greater Toronto Airport Authority to ease passenger congestion at Canada's busiest airport, Phase One of the new terminal opened in April 2004 and Phase Two is scheduled to be completed in 2005. Aecon is also building an \$82 million expansion to Terminal 3.

Nathpa Jhakri Project

Aecon has a 45% interest in the joint venture that carried out the Nathpa Jhakri Project. Located in the Himalayan foothills of Northern India, the Nathpa Jhakri Project is a \$547 million, 1500 megawatt "Run of the River" project, including a 61-metre concrete dam and a 27-kilometre head race tunnel, of which the Corporation has constructed 16 km. Following significant initial delays, construction of the project is nearing final completion. Early in 2004, the last of six 250 megawatt units were successfully synchronized and made available for power production.

Cross Israel Highway

The Cross Israel Highway is a US\$1.2 billion electronic toll highway spanning approximately 86 km from south of Tel Aviv, northward to Hedera in Israel. Now fully open and tolled, it is the most advanced and sophisticated all-electronic toll highway in the world.

Aecon’s Investment - - Aecon has invested a total of US\$30.24 million for a 25% economic interest in Derech Eretz Consortium (“DEC”) which holds the concession rights for the Cross Israel Highway. As with Aecon’s two partners in DEC (Housing and Construction Holding Company Ltd. and Africa Israel Investments Ltd.) Aecon’s investment is held 98% as subordinated debt (sub-debt) and 2% as equity. At the date of this AIF, the sub-debt held by the three DEC shareholders is the only sub-debt in the project.

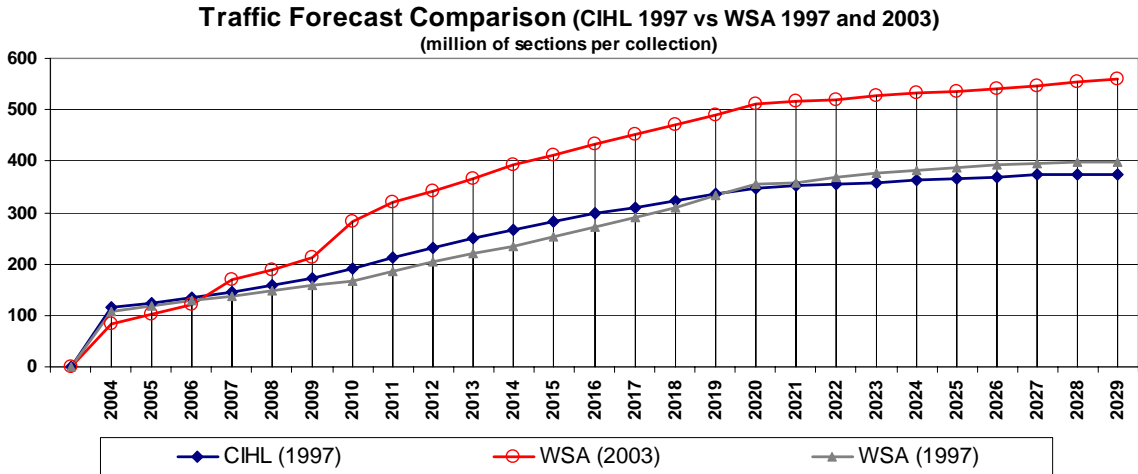
Based on the traffic volumes anticipated for the highway and supported by the first year of operation, the financial model forecasts that the partners in DEC will begin to receive returns on their investment commencing in 2009 and escalating through to 2029 when ownership of the highway will revert to the State of Israel (see details below).

Aecon accounts for its investment in DEC according to the cost basis of accounting. As such, Aecon carries its investment in DEC at cost and will include in income all dividends and interest on its sub-debt as they are received (i.e. beginning in 2009).

Traffic Forecasts - - In 1997, Wilbur Smith Associates (“WSA”), a firm specializing in traffic studies for toll road projects around the world, was appointed by DEC (with the agreement of project lenders) to provide an independent traffic forecast.

In addition, for its purposes relating to the State revenue guarantee (see below), the State entity authorized to implement the project, Cross Israel Highway Limited (“CIHL”), produced its own traffic forecast for journeys and sections in a given year. On average, it forecast very similar traffic volumes to those of the WSA study.

Finally, in 2003 Wilbur Smith prepared an updated estimate of traffic and toll revenue taking into consideration changes since the original studies.



The chart above shows a comparison between the various forecasts carried on by WSA and by CIHL in 1997 and 2003. As can be observed, the new WSA forecast starts lower but trends higher over the course of the concession.

Actual Traffic - - Since December 29, 2002 when the first section of the highway was opened and tolled, average daily trips have increased from 4,100 per day to 42,003 per day in January 2004, to 62,316 per day in December 2004. Sections for Collections, the basis upon which

customers are invoiced, have increased from 4.9 million in January 2004 to 7.9 million in December 2004.

This traffic 'ramp-up' is generally in line with the most recent WSA study and serves to validate many of the assumptions upon which the project's financial model is based.

Based largely on the traffic volumes recorded on the highway since its opening, Ma'alot Israel Securities Rating Company Ltd. (a strategic partner of Standard & Poor's), announced in August 2004 that it was raising its rating on DEC's obligations to "AA" from "AA-".

In its release, Ma'alot stated that the improved rating reflects a number of developments including "traffic volumes on the highway in the initial period of operation which are significantly higher than the assumptions of Ma'alot's base case and are similar to the traffic volumes forecast by WSA in the sections which were opened at the beginning and in the middle of 2003".

State Guarantee - - In order to provide downside protection for investors and Senior Lenders in the event that actual traffic volumes are below the State's traffic forecast, the State of Israel has provided a Partial Revenue Guarantee (the "State Guarantee"). The State Guarantee also provides for the sharing (between DEC and the State) of revenue in excess of the State forecast.

The State Guarantee mechanism is broadly structured as follows. If in a given year the actual annual revenue that DEC was entitled to collect is lower than 90% of the revenue amount forecast to be collected on the basis of the State forecast, the State will pay 80% of the difference to DEC. Under this formula, the State is effectively guaranteeing 72% of the traffic in its traffic forecast. In the event that the revenue DEC was entitled to collect exceeds the revenue forecast to be collected on the basis of the State forecast, 57% of the excess is paid to the State and 43% remains with DEC.

Tolls - - Under the terms of the Concession Contract, the Highway user is charged for the usage of the Highway based on the number of sections traveled and the toll applicable to the category of vehicle. The Highway is divided into nine sections. Vehicles traveling between one and three sections of the highway are charged for three sections. Highway users traveling four or five sections are charged for the actual number of sections traveled. Journeys in excess of five sections are charged as five sections. Trucks and other large vehicles are charged a multiple of three times the amounts chargeable to private cars, whereas the multiple for motorcycles is 0.5 times the private car charge.

The Concession Contract sets out a maximum rate for the Initial toll and an adjustment mechanism that will adjust tolls during the concession period based on a pre-set formula. As at the date of this AIF, the basic toll charge is approximately US\$0.37 per section (meaning a minimum three-section charge of approximately US\$1.11 and a maximum five-section charge of approximately US\$1.85 would apply to cars using the Highway).

Cash distribution to shareholders - - The project agreements established a 'waterfall' of cash distribution for the project. The order in which cash is distributed is as follows:

1. Operating expenses, taxes and servicing of the senior debt facilities
2. Transfer to Debt Service Reserve Account
3. Transfer to Maintenance Reserve Account
4. Transfer to Capital Expansion Reserve Account
5. Transfer to Operating and Maintenance reserve Account

6. Payment to subordinated debt current interest
7. Payment to subordinated debt deferred interest
8. Payment of subordinated debt principal outstanding
9. Distribution of dividends

The senior debt facilities referenced in item 1 above consist primarily of two tranches: a US\$250 million tranche at 9.852% annual interest and a New Israeli Shekel ("NIS") tranche equal to approximately US\$850 million which carries 6.19% annual interest. Both tranches mature in 2027.

Under this waterfall arrangement, it is expected that Aecon and the other DEC partners will begin receiving cash disbursements in 2009 assuming that a number of agreed tests are met. Based on the financial model prepared for the project, Aecon's 25% share of the initial cash disbursement in 2009 is forecast to be approximately US\$25 million. Then, beginning in 2010, the model forecasts semi-annual payments of approximately US\$3 million escalating to almost US\$20 million in 2026 (near the middle of this period there are two years when no disbursements are forecast due to substantial reinvestment in expansion of the highway to meet projected demand). For the six semi-annual disbursements scheduled from 2027 through 2029, following repayment of the senior debt, Aecon's 25% share is forecast to average approximately US\$40 million per period.

The distribution figures provided above are based on forecasts and assumptions contained in the current financial model for the project. These forecasts and assumptions have been prepared in good faith based on facts and circumstances known to the investors and the advice of experienced professionals but remain assumptions and projections subject to change. As such, the financial model is a 'living' document that will be amended and updated from time to time as appropriate.

Based on the disbursements outlined above, Aecon's projected IRR on its investment in DEC is approximately 19.5% after tax (not including the impact of options - outlined below). It should be noted that, in addition to the usual project risk associated with an investment of this kind, Aecon is exposed to a certain amount of foreign exchange risk as its investment in the concession is in NIS. This risk is partly mitigated by the fact that the formula established for calculation of the toll rate is based partly on a 'basket of currencies'.

Aecon has stated that its strategy with respect to this investment may result in the monetization of the investment before the time when cash disbursements are paid. In this respect, the project agreements contain certain restrictions regarding sale or transfer of Aecon's equity and sub-debt. These restrictions are primarily related to prior approval rights of various stakeholders (some of which weaken or expire over the course of the concession period) and to the linkage of sub-debt and equity transfers.

State and Lender Options - - The Concession Contract contains provisions under which DEC is to allot certain Option Deeds to the State, which will grant their holder the right to share in DEC's profits up to 49% (for this purpose, profit includes subordinated debt principal, interest on the subordinated debt and dividend payments). The options may be exercised at any time from April 2005 until the end of the concession period, subject to paying a price calculated in accordance with a formula set out in the Concession Contract. While the option price, as set out in the formula, varies according to a number of factors including when the options are exercised, the formula essentially provides for the State options to be purchased at book value adjusted for inflation. The exercise of the State's option would reduce Aecon's projected after tax IRR from 19.5% to 14.5%.

The project agreements also grant the project's local Lenders options to purchase in total US\$20 million nominal of the Concessionaire's equity and subordinated debt. The exercise price of US\$20 million in total is increased by 7% per year. The options are transferable with the consent of the Concessionaire and the Ministry of Finance. The local Lenders' options are exercisable until October 28, 2005 and the exercise price would be paid directly to the shareholders of DEC. Full exercise of the lender options will result in approximately 16% dilution of the other shareholders (depending on the time of exercise) and will reduce Aecon's expected IRR by less than 0.5%.

(b) Buildings

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

Aecon's U.S. Buildings operations are managed through a wholly owned subsidiary, Aecon Buildings Inc., incorporated in the State of Washington, while its British Columbia operations are managed through Aecon's 49% participation in Scott Management Inc., located in Vancouver. Buildings operations in Montreal are managed through Aecon-Cegerco, a division of Groupe Aecon Ltée, formed following Aecon's acquisition of Cegerco CCI Inc. in 2004. The Buildings operations in Atlantic Canada are managed through Aecon Atlantic.

General Contracting

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

Other markets in the Buildings segment in which Aecon has developed specific expertise include retail construction, institutional construction such as educational facilities and court houses and entertainment facilities such as theatres and casinos.

Construction Management

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

Aecon has also developed expertise in the construction of airport terminals such as at the Pearson International Airport redevelopment where Aecon is playing a leading role as a 50% partner in the joint venture managing construction of the new \$4.4 billion terminal building. Commissioned by the Greater Toronto Airport Authority to ease passenger congestion at Canada's busiest airport, Phase One of the new terminal opened in April 2004 and Phase Two is scheduled to be completed in 2005. Aecon is also building an \$82 million expansion to Terminal 3.

Interiors and Renovations

In urban markets, Aecon has developed an expertise in the growing market for commercial renovation and retrofit services. Much of Canada's stock of prime commercial property was built in the 1960s, 70s and 80s and is in need of substantial renovation. Meeting this need has become a growing focus of Aecon's work in the Buildings segment.

(c) Industrial

The Industrial segment includes all of Aecon's work in the industrial construction and manufacturing sectors, from construction and module assembly to fabrication of speciality pipe and the manufacture of once-through steam generators for the power sector. With the exception of the steam generator business which markets its products around the world, Aecon's primary focus in this segment is the southern Ontario, Alberta and Atlantic Canada markets with selected projects undertaken in other North American markets.

Aecon's work in this segment is managed primarily from its offices in Cambridge, Ontario, with manufacturing and fabrication plants in Cambridge and Oakville, Ontario as well as Edmonton, Alberta and Dartmouth, Nova Scotia.

Construction

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

Aecon has established itself in the automotive and manufacturing construction sectors as well as the power sector where its construction capabilities include nuclear, fossil and hydro-electric generation and natural gas cogeneration facilities. In addition, Aecon provides industrial construction services in the petrochemical, steel, metals processing and natural gas industries.

Fabrication

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

From its two Ontario facilities in Cambridge and Oakville, Aecon provides specialized process piping, modules and related components to the automotive, power, natural gas, petrochemical and other industries throughout Ontario, while its facility in Edmonton is focussed on serving the major energy projects in western Canada, principally in the oil sands of northern Alberta. Its Aecon/Fabco joint venture facility in Dartmouth, Nova Scotia focuses on serving the Atlantic Canada market.

Steam Generators

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

This steam is primarily used for the production of additional power through a steam turbine, or to re-inject into the gas turbine to increase efficiency and reduce emissions. The IST units, designed primarily for use with 5 to 50 megawatt gas turbines, can increase a simple cycle

power plant's generation efficiency by up to 30%.

IST has had much success due to the innovative design features of its units, which offer a more cost effective alternative to traditional heat recovery steam generators, with lower maintenance costs, shorter installation times and smaller footprint or area required than other products on the market. The dramatic downturn in the power industry experienced in 2002 significantly reduced IST's core market. As a result, in 2002 and 2003 IST's overhead was substantially reduced, cutting its breakeven revenue requirements in half and its marketing efforts were more tightly focused. As a result of these changes and the beginning of a market recovery, IST returned to profitability in 2004.

3.1.5 Environmental

Aecon is subject to federal, provincial and municipal environmental legislation in all of its manufacturing and construction operations. Aecon recognises that it must conduct all of its business in such a manner to both protect and preserve the environment. At each place where work is performed, Aecon develops and implements a detailed quality control plan as the primary tool to demonstrate and maintain compliance with all environmental regulations and conditions of permits and approvals. Management is not aware of any pending environmental legislation which would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position.

3.1.6 Employees

Aecon had 758 full time salaried employees and 1,425 hourly employees as at December 31, 2004 for a total of 2,183 employees. This number is not indicative of the total number of employees at any time throughout the year as the construction industry is seasonal in nature, with little work performed in the winter and early spring months. At its peak operating capacity level during 2004, Aecon employed a total of 2,971. None of the Corporation's full time salaried employees are unionized. Aecon recruits its unionized labour pool on an "as needed" basis consistent with the relevant union contracts and traditional hiring practices. These employees are laid off upon the completion of the job they were working on unless transferred to another job. Management believes that its relationship with its employees is generally excellent.

3.2 Risk Factors

Large Project Risk

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

Opportunities for Aecon to compete for these larger projects do not occur regularly. As a result, Aecon's ability to successfully compete for these opportunities and the length of time required to execute these projects are not predictable and therefore the Corporation may experience periods of irregular or reduced revenues.

The recording of the impact of large project contracts can distort revenues and incomes on both a quarterly and an annual basis and in some cases makes comparison of financial results difficult in particular reporting periods.

As described more fully in notes 10 and 12 to the consolidated financial statements, Aecon has a number of commitments and contingencies. If Aecon was called upon to honour these obligations, its financial results would be adversely affected.

The Nathpa Jhakri Project in India has incurred significant delays in respect of which the joint venture, in which Aecon has a 45% interest, has submitted requests for extensions of contract time as well as claims for significant compensation arising from the costs of delays.

The owner of the project, Satluj Jal Vidyut Nigam Ltd. ("SJVN") (formerly Nathpa Jhakri Power Corporation Limited) has granted a number of provisional requests for extensions of contract time as a result of which the joint venture was entitled to escalation on quantities previously billed. Income derived from these has been included in the joint venture profit estimate for this project.

At February 28, 2005, joint venture claims to cover delay related costs amounted to approximately \$109.4 million of which \$10.2 million, at current exchange rates, had been received by the joint venture based on an interim recommendation made by a claims review panel and is included in the joint venture's profit estimate for this project. A further payment of \$9.3 million as full settlement was recommended by the Alternate Disputes Resolution Board ("ADRB"), which was appointed jointly by SJVN and the joint venture. Since ADRB recommendations are not binding and since the joint venture is not satisfied with the level of the final settlement recommended by the ADRB nor does SJVN support the recommendation, income from this award (nor from any further potential claim recoveries) has not been included in the joint venture nor Aecon's profit estimate for this project.

In the event that SJVN denies the current request for extension of contract time and the joint venture is unsuccessful in its claims for additional compensation, the joint venture could be faced with potential liquidated damages claims by SJVN of up to a maximum amount equal to \$27 million (10% of the original contract value) for which the Corporation is jointly and severally liable. If such possible claims were to materialize and were ultimately successful, the financial results and the financial position of Aecon would be adversely affected. As at February 28, 2005, the Corporation had outstanding guarantees and letters of credit in the amount of \$30.3 million in support of financial and performance related obligations for the Nathpa Jhakri project. To December 31, 2004, the Corporation has earnings contributions of approximately \$13.3 million (December 31, 2003 – \$11.6 million) after income taxes relating to this project, which have not yet been distributed to the Corporation. If such guarantees were to be called upon and/or if Aecon were not able to collect its accrued cost recoveries and profits, Aecon's financial results and its financial position would be adversely affected. The Nathpa Jhakri project is now substantially complete and only some minor work remains which does not affect the operational capacity of the powerhouse.

In connection with the Cross Israel Highway project, as at February 28, 2005, Aecon has provided a joint and several guarantee in the amount of \$9.3 million (February 29, 2004 - \$53.4 million) in support of performance related obligations. Aecon has also provided two other joint and several guarantees in support of the project, a Continuous Guarantee, which guarantees the performance of the Concessionaire under the Concession Agreement and a Leakage Guarantee, which is a guarantee at the Operator level, in which the Corporation has a 31% interest, and covers toll capture and collection rates generated from users of the Cross Israel Highway during the operating period. These guarantees extend through the end of the concession period which ends in 2029. The Continuous Guarantee is in the amount of \$16.7 million and is renewed annually to its full amount, irrespective of any drawings made there under. The Leakage Guarantee came into effect when construction was completed and is renewable annually for the lesser of \$12.5 million or 6% of annual toll revenue. The values of these two guarantees are indexed and the amounts used are as at February 28, 2005. If such guarantees were to be called upon, the financial results and the financial position of Aecon would be adversely affected.

Substantial completion of the Cross Israel Highway construction phase was received in April 2004. Since December 2003, the full 86 km of highway is open to traffic and is being tolled. Traffic levels are in line with forecasts.

In addition, a significant portion of Aecon's capital (approximately \$40 million) is invested, directly or indirectly, in the Cross Israel Highway. As a result, any material diminution in the value of the Cross Israel Highway would adversely affect the financial result and condition of the Corporation.

The Corporation is currently engaged in the construction in northern Quebec of a hydro-electric facility for Hydro Quebec. To date, the Eastmain project has incurred cost overruns, primarily because of customer changes to the original contract scope. The Corporation is currently negotiating with Hydro Quebec for a full recovery of these cost overruns and expects that it will be successful in doing so. Should the Corporation not be successful in recovering any of these cost overruns, its financial results and position would be adversely impacted.

The Quito Airport financial close has taken longer than originally anticipated due to the complicated nature of the transaction and the multitude of international public lending agencies involved, and although Aecon expects that financial close will be achieved in 2005, there is a risk that closing may not occur, which would result in costs that were previously deferred being written off. As previously noted, as at December 31, 2004, \$7.1 million of costs incurred on the Quito project had been deferred with further costs expected to be incurred and deferred in 2005 until financial close is achieved.

Ongoing Financing Availability

Aecon's business strategy involves the selective growth of its operations through internal growth and acquisitions. Aecon's ability to successfully bid on contracts for major projects is fundamental to its internal growth. Certain of Aecon's operating segments, including its infrastructure development and heavy civil business, require substantial working capital in order to bid on and execute large contracts. Aecon is continually seeking to enhance its access to funding in support of its growth. However, from time to time, Aecon is constrained in its ability to capitalize on new infrastructure development and other growth opportunities to the extent that financing is insufficient or unavailable. Aecon's capital base includes a revolving term loan that provides a stable and flexible financing source. Aecon has further supplemented its liquidity and financial capability with a \$30 million convertible debenture financing secured in the fourth quarter, and subsequent to year end secured a similar \$32.5 million convertible debenture – both with the flexibility to pay interest and repay principal in either cash or shares. These new financings will substantially replace the traditional \$50 million bank working capital lines that Aecon has maintained, which have never been suitably structured to address Aecon's seasonal and cyclical business profile and which have been highly restrictive and challenging to maintain on reasonable and practical terms.

Access to Bonding and Pre-qualification Rating

Most of Aecon's construction contracts require either sufficient bonding or pre-qualification rating. As a result of the worldwide reduction in surety capacity and price increases, the Corporation continually monitors the surety market through its broker and surety firm. The surety industry has undergone significant consolidation in recent years, which has constrained overall industry capacity. While Aecon's improving balance sheet and liquidity have allowed for continued strong support by its surety provider, Aecon's lack of profitability has challenged its ability to secure increased surety capacity to provide Aecon a competitive advantage within the industry. Although the Corporation believes that it will be able to secure and maintain surety capacity adequate to satisfy its current requirements, should those requirements be materially

greater than anticipated or should sufficient surety capacity not be available, this would have a material adverse effect on the ability of Aecon to operate its business.

International/Foreign Jurisdiction Factors

Aecon is from time to time engaged in large international projects in foreign jurisdictions. Currently Aecon is involved in projects in India, Israel, Ecuador and the United States. International projects such as the Nathpa Jhakri hydro-electric project in northern India, the Cross Israel Highway in Israel and the Quito Airport in Ecuador can expose Aecon to risks beyond those typical for its activities in its home market, including geopolitical and military risks and currency and foreign exchange risks.

The anticipated contribution of various foreign projects to the financial results of Aecon may be adversely affected by local political, military, economic and other events beyond the Corporation's control including several current projects that are located in regions that are, at the present time, facing heightened geopolitical tensions. Aecon continually evaluates its exposure to unusual risks inherent in international projects and, where deemed appropriate in the circumstances, mitigates these risks through specific contract provisions, insurance coverage and forward exchange agreements. However, there are no assurances that such measures would offset or materially reduce the effects of such risks.

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

Contractual Factors

A substantial portion of Aecon's revenue is derived from lump-sum contracts pursuant to which a commitment is provided to the owner of the project to complete the project at a guaranteed maximum price ("GMP"). In GMP projects, in addition to the risk factors of a unit price contract (as described below), any errors in quantity estimates must be absorbed within the GMP, thereby adding a further risk component to the contract.

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

In certain instances, Aecon guarantees to a customer that it will complete a project by a scheduled date or that the facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or performance standards, Aecon could incur additional costs or penalties commonly referred to as liquidated damages.

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

Certain of Aecon's contractual requirements may also involve financing elements, where Aecon is required to provide one or more of letters of credit, performance bonds, financial guarantees or equity investments. There can be no assurance that Aecon will be able to obtain the necessary financing on favourable or commercially reasonable terms and conditions for such equity investments, nor that its available working capital and bonding facilities will be adequate in order to issue the required letters of credit and performance bonds.

Revenues from change orders are recorded when recovery is likely to occur. However, disputes with clients resulting in claims for additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions are an unfortunate but sometimes unavoidable part of the construction process. Aecon's accounting policy is to record all costs for these changes when known and not to record the revenue anticipated from claims until they are resolved. The timing of the resolution of such events can thereby have a material impact on income and liquidity and thus can cause fluctuations in the revenue and income of Aecon in any one reporting period.

Economic Factors

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

In North America, which tends to have relatively sophisticated infrastructure, Aecon's profitability is dependent both on the development of basic infrastructure (highways, airports, dams, hydro-electric plants, etc.) and on the type of infrastructure that flows from commercial and population growth. Commercial growth demands incremental facilities for the movement of goods within and outside of the community, along with water and sewer systems and heat, light and power supplies. Population growth creates a need to move people to and from work, schools and other public facilities, and demands similar services to new homes. Since growth in both these areas, with the possible exception of road maintenance and construction, is directly affected by the general state of the local economy, the general strength or weakness of the economy can have a significant impact on Aecon's operations.

Internationally, Aecon is much more involved with the development of basic infrastructure, particularly in developing countries. As such, the Corporation's growth and profitability from this work depends largely on the pace of growth in these foreign jurisdictions and the ability of these countries to allow for the arrangement of long-term financing.

Environmental and Safety Factors

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

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

Aecon is subject to and complies with federal, provincial and municipal environmental legislation in all of its manufacturing and construction operations. Aecon recognizes that it must conduct all of its business in such a manner as to both protect and preserve the environment in accordance with this legislation. At each place where work is performed, Aecon develops and implements a detailed quality control plan as the primary tool to demonstrate and maintain compliance with all environmental regulations and conditions of permits and approvals. Management is not aware of any pending environmental legislation that would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position, although there can be no guarantee that future legislation will not be proposed, and if implemented, it may have a material impact on the Corporation and its financial results.

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

Litigation Risk

In the normal course of business, the Corporation is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. In view of the quantum of the amounts claimed and the insurance coverage maintained by the Corporation in respect of these matters, management of the Corporation does not believe that any of the legal actions or proceedings that are presently known or anticipated by the Corporation will likely have a material adverse effect on the Corporation's financial position. However, there is no assurance that the Corporation's insurance arrangements will be sufficient to cover any particular claim or claims that may arise in the future. Furthermore, the Corporation is subject to the risk of claims and legal actions for various commercial and contractual matters, primarily arising from construction disputes, in respect of which insurance is not available. The Corporation is aware of one such claim or dispute involving potential claims for liquidated damages and outstanding guarantees and letters of credit in respect of the Nathpa Jhakri Project.

Labour Factors

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

Dependence on the Public Sector

A significant portion of Aecon's revenues is derived from contracts with various governments or their agencies. Consequently, any reduction in demand for Aecon's services by the public sector whether from funding constraints, changing political priorities or delays in projects caused by elections would likely have an adverse effect on the Corporation if that business could not be replaced from within the private sector.

Large government sponsored projects typically have long and often unpredictable lead times associated with the government review and political assessment process. The time delays and pursuit costs incurred as a result of this lengthy process, as well as the often unknown political

considerations that can be part of any final decision, constitute a significant risk to those pursuing such projects.

Potential Fluctuation in Financial Results

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

Protection of Intellectual Property and Proprietary Rights

The Corporation, particularly through its 100% interest in IST depends, in part, on its ability to protect its intellectual property rights. Aecon relies primarily on patent, copyright, trademark and trade secret laws to protect its proprietary technologies. The failure of any patents or other intellectual property rights to provide protection to Aecon's technologies would make it easier for competitors to offer similar products, which could result in lower sales or gross margins.

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

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

Acceptance of Innovation Steam Technologies

IST has yet to gain complete acceptance within the industry and, consequently, earnings derived from IST can fluctuate from quarter to quarter and from year to year. The success of IST's business will depend on its ability to promote commercial acceptance of its steam generators and associated technology, its ability to successfully develop its existing and future partnering agreements in key markets outside of its core North American market and to convince its customers of the reduced life cycle costs that IST's products offer compared to its competitors' products based on more traditional technology.

Hochtief AG and Certain Directors and Officers May be Able to Control Actions of the Corporation

Hochtief AG indirectly owns 14,429,330 of the outstanding common shares, holds a debenture valued, as of December 31, 2004, at \$7.7 million, which is convertible into common shares, has

provided significant financial guarantees and direct loans to the Corporation and has four nominees on the Corporation's Board of directors. Two officers of the Corporation, who are also directors, beneficially own or control, directly or indirectly, approximately 4.7% of the common shares as of March 17, 2005. By virtue of their significant direct or indirect shareholdings, Hochtief AG and those officers may therefore be in a position to significantly influence the election of the directors of the Corporation, appointment of officers and other matters requiring the approval of the shareholders or directors of Aecon. This concentration of ownership may also have an impact on a change of control or other significant transaction involving the Corporation. As disclosed in the Management Information Circular dated June 21, 2004, in a conference call with analysts and investors on March 15, 2004 Hochtief AG indicated that its ownership position in Aecon will not remain at 48%. As of the date hereof, Hochtief AG has not indicated to Management whether it intends to increase or decrease its interest. A significant change in the indirect ownership stake of Hochtief AG may have a material impact on the share price of the Corporation.

Tax Accrual Risks

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

Aecon Operates in a Highly Competitive Industry

Aecon carries on businesses in highly competitive product and geographic markets in Canada, the United States and internationally. The Corporation competes with many companies that have financial resources and staff larger than Aecon's and which may be able to benefit from economies of scale, pricing advantages and greater resources. Aecon has little control over and cannot otherwise affect these competitive factors. Results of operations and financial condition will be materially impacted if the Corporation is unable to effectively respond to these competitive factors or if the competition in any of the Corporation's markets results in price reductions or decreased demand for Aecon's services.

Loss of Key Management; Inability to Attract and Retain Management

The Corporation's future prospects depend to a significant extent on the continued service of its key executives. Furthermore, the Corporation's continued growth and future success depends on its ability to identify, recruit and retain key management and skilled trade personnel. The competition for such employees is intense and there can be no assurance that the Corporation will be successful in identifying, recruiting or retaining such personnel.

ITEM 4

DIVIDENDS

Aecon has established a formal dividend policy whereby a dividend will be declared each year at the time of the release of annual financial statements of the Corporation. The size of the dividend will be determined each year based on the financial performance of Aecon. The Corporation declared a dividend of \$0.12 per Common Share in 2002 and \$0.03 per Common

Share in 2003. Aecon did not to declare a dividend in 2004 and does not intend to declare a dividend in 2005.

Pursuant to a loan agreement dated May 29, 2003 between the Corporation and the Toronto Dominion Bank as agent and the Toronto Dominion Bank, National Bank of Canada and the Bank of Montreal as participants (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 mentioned previously, as a result of the completion of several financings, Aecon expects to substantially replace its traditional banking facilities. See Section 3.2 "Risk Factors – Ongoing Financing Availability".

ITEM 5

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Corporation consists of an unlimited number of common shares. As at March 22, 2005, there were outstanding 30,800,632 common shares and options to acquire an aggregate of 905,000 common shares. As at March 22, 2005, the Corporation had also issued (a) 30,000 convertible debentures convertible at a price of \$7.50 per common share (subject to adjustment in certain circumstances) and (b) 32,500 convertible debentures convertible at a price of \$7.60 per common share (subject to adjustment in certain circumstances). (See Section 6.2 "Prior Sales")

Holders of common shares are entitled to receive notice of all meetings of shareholders of the Corporation, to attend such meetings and to cast one vote per common share at all such meetings. Holders of common shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of the majority of the common shares entitled to vote in any election of directors may elect all directors standing for election. Holders of common shares are entitled to receive ratably such dividends, if any, as and when declared by the board of directors at its discretion from funds legally available therefore and upon the liquidation, dissolution or winding-up of the Corporation are entitled to receive ratably the net assets of the Corporation after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or ratably with the holders of the common shares with respect to dividends or liquidation. The common shares do not by their terms carry any pre-emptive, subscription, redemption or conversion rights.

The convertible debentures are direct, unsecured obligations of the Corporation, are subordinated to other indebtedness of the Corporation for borrowed money and rank equally with all other unsecured subordinated indebtedness. See Section 6.2 "Prior Sales" and the November 2004 and March 2005 Material Change Reports (as defined herein) for additional details.

ITEM 6

MARKET FOR SECURITIES

6.1 Trading Price and Volume

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:

MONTH	HIGH (\$CDN)	LOW (\$CDN)	VOLUME
At March 29, 2005	6.65	6.25	1,202,526
February 2005	6.65	6.30	633,422
January 2005	6.69	6.00	700,880
December 2004	6.70	6.22	634,312
November 2004	6.40	6.15	1,186,050
October 2004	6.35	5.85	968,921
September 2004	6.32	5.78	1,020,772
August 2004	6.65	5.95	375,738
July 2004	7.05	6.00	3,699,134
June 2004	7.05	6.92	2,056,876
May 2004	7.05	4.75	925,684
April 2004	5.20	4.90	124,382
March 2004	5.65	4.20	198,551
February 2004	5.75	5.15	1,027,147
January 2004	5.85	4.55	1,290,314

Source: The Toronto Stock Exchange Monthly Review

6.2 Prior Sales

On November 2, 2004, the Corporation issued and sold a total of 30,000 convertible subordinated debentures at an issue price of CDN\$1,000 per convertible debenture pursuant to a private placement. The convertible debentures were placed through a syndicate of underwriters led by GMP Securities Ltd. (“GMP Securities”), Paradigm Capital Inc. (“Paradigm”) and Canaccord Capital Corporation (“Canaccord”). A copy of the underwriting agreement between the parties was filed on SEDAR in connection with the filing of a material change report on November 12, 2004 (the “November 2004 Material Change Report”). The convertible debentures were issued pursuant to a trust indenture between Aecon and Computershare Trust Company of Canada. A copy of the trust indenture was also filed on SEDAR with the November 2004 Material Change Report.

The convertible debentures will mature on November 2, 2009 (the “2009 Maturity Date”) and accrue interest at a rate of 8.25% per annum. They may be converted at any time by the holder into common shares of the Corporation up to the 2009 Maturity Date at a price of \$7.50 per share (subject to adjustment in certain circumstances). From November 7, 2007 until the 2009 Maturity Date Aecon may redeem the convertible debentures, in whole or in part, at par plus accrued and unpaid interest based on the weighted average closing price of the common shares of the Corporation on the TSX during a specified period for not less than 125% of the conversion price. Subject to certain specified conditions, the Corporation may repay the outstanding principal amount of the convertible debentures through the issuance of additional common shares or cash. For additional details see the November 2004 Material Change Report previously filed on SEDAR.

On March 17, 2005, the Corporation issued and sold a total of 32,500 convertible subordinated debentures at an issue price of CDN\$1,000 per convertible debenture pursuant to a private placement. The convertible debentures were placed through a syndicate of underwriters led by GMP Securities, Paradigm and Canaccord. A copy of the underwriting agreement between the parties was filed on SEDAR in connection with the filing of a material change report on March 22, 2005 (the “March 2005 Material Change Report”). The convertible debentures were issued pursuant to a trust indenture between Aecon and Computershare Trust Company of Canada. A copy of the trust indenture was also filed on SEDAR with the March 2005 Material Change Report.

The convertible debentures will mature on March 17, 2010 (the “2010 Maturity Date”) and accrue interest at a rate of 8.25% per annum. They may be converted at any time by the holder into common shares of the Corporation up to the 2010 Maturity Date at a price of \$7.60 per share (subject to adjustment in certain circumstances). From March 18, 2008 until the 2010 Maturity Date, Aecon may redeem the convertible debentures, in whole or in part, at par plus accrued and unpaid interest based on the weighted average closing price of the common shares of the Corporation on the TSX during a specified period for not less than 125% of the conversion price. Subject to certain specified conditions, the Corporation may repay the outstanding principal amount of the convertible debentures through the issuance of additional common shares or cash. For additional details see the March 2005 Material Change Report previously filed on SEDAR.

ITEM 7

DIRECTORS AND OFFICERS

7.1 Name, Occupation and Security Holding

Directors

The names, municipalities of residence and principal occupations of the directors of Aecon are set out below. Each director will hold office until the next annual meeting of shareholders set for June 21, 2005 or until a successor is elected or appointed.

Name and Municipality of Residence	Year First Became Director	Principal Occupation Within the Last Five Years
Scott C. Balfour Oakville, Ontario	1995	Executive Vice President and Chief Financial Officer of the Corporation
John M. Beck Toronto, Ontario	1963	Chairman and Chief Executive Officer of the Corporation
Austin C. Beutel Toronto, Ontario	2005	Chairman, Oakwest Corporation Limited
Michel A. Butt Gormley, Ontario	1994	President, Buttcon Limited
John DiCiurcio Chicago, Illinois	2004	Executive Vice-President, Turner Construction Company
Rolf Kindbom Georgetown, Ontario	2000	Consultant; Officer and Director, Hochtief Canada Inc.
Hans-Wolfgang Koch Meerbusch, Germany	2000	Deputy Chairman of the Corporation; Director and President, Hochtief Canada Inc.; Member of the Executive Board, Hochtief AG
Dr. Martin Rohr Essen, Germany	2004	Chief Operating Officer, Hochtief AG
The Hon. Brian V. Tobin Toronto, Ontario	2005	Sr. Business Advisor, Fraser Milner Casgrain LLP

Robert P. E. Wildeboer
Burlington, Ontario

1993

Vice Chairman of the Corporation; Chairman,
Martinrea International Inc.

Committees of the Board of Directors

Members of the Audit Committee are Michael Butt (Chair), Rob Wildeboer and Austin Beutel.

Members of the Human Resources and Compensation Committee are Michael Butt, Hans-Wolfgang Koch (Chair) and Robert Wildeboer.

There is no Executive Committee of the Board of Directors.

Executive Officers

The names, municipalities of residence and titles of the executive officers of Aecon are:

Name and Municipality of Residence	Office
John M. Beck, Toronto, Ontario	Chairman and Chief Executive Officer
Scott C. Balfour, Oakville, Ontario	Executive Vice-President and Chief Financial Officer
Andy DeHaan, Oakville, Ontario	Vice-President, Information Technology
James Hewitt, Toronto, Ontario	Controller
Gerry Kelly, Toronto, Ontario	Senior Vice-President, Finance
Paul Koenderman, Campbellville, Ontario	Executive Vice-President
Steven N. Nackan, Vaughan, Ontario	Assistant Corporate Secretary
Mitch Patten, Markham, Ontario	Vice-President, Corporate Affairs and Vice-President, Human Resources
H. William Pearson, Oakville, Ontario	Executive Vice-President
L. Brian Swartz, Markham, Ontario	Senior Vice-President, Legal and Commercial Services
Gernot Wittig, Toronto, Ontario	Senior Vice-President, Contract and Project Controls

Biographies of Directors and Executive Officers

Scott C. Balfour is an Executive Vice-President and Chief Financial Officer of Aecon and CEO 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 DEC and of Canadian Highways Infrastructure Corporation. Mr. Beck has been a member of the Board of Directors since 1963. 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 counseling firm, which he co-founded in 1967. He is the non-executive Chairman of the Equitable Group Inc. and a director of Accord Financial Corp., Astral Media Inc. and O&Y Properties Corporation. Mr. Beutel has a B. Comm. (McGill) and M.B.A. (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 and 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.

Andy DeHaan is the Vice-President of Information Technology of Aecon and is responsible for all aspects of information technology for the Corporation. Prior to joining Aecon, Mr. DeHaan had an extensive career in information technology and held senior information technology positions in some of Canada's largest organizations, including McCarthy Tetrault, one of Canada's largest law firms, Agra Inc., now Amec Inc., Maclean Hunter and Extendicare. Mr. DeHaan has a Masters in Computer Science from the University of Waterloo.

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.

C. G. J. (James) Hewitt is the Controller of Aecon. Mr. Hewitt has more than 25 years experience in financial management. Prior to joining Aecon in 2000, he held senior

management positions at Southam Inc. and NHB Industries Limited, a subsidiary of Fortune Brands Inc. Mr. Hewitt is a Chartered Accountant and has a Bachelor of Commerce degree from the University of Toronto.

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

Rolf Kindbom heads a consulting company in Toronto and is a director of Hochtief 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. He is a member of the Board of the Swedish-Canadian Chamber of Commerce, Toronto and a member of the Arbitration and Mediation Institute of Ontario.

Hans-Wolfgang Koch is the Deputy Chairman of Aecon and has been a member of the Board of Directors of Aecon since 2000. He is a member of the Executive Board of Directors of Hochtief AG. Prior to joining Hochtief he held a variety of senior management positions including Chairman of the Executive Board of Balcke-Durr AG and Chief Executive Officer of Balcke-Durr GmbH. Mr. Koch studied economics and social studies in Munich and Cologne.

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

Steven N. Nackan is the Assistant Secretary of Aecon. Mr. Nackan has spent several years practicing as a lawyer in the field of project and infrastructure finance. Prior to joining Aecon, he was employed with White & Case LLP as a senior project finance lawyer in its Global Project Finance Group. Mr. Nackan has a Bachelor of Arts degree in Psychology from Brandeis University and a Juris Doctor degree from Boston College Law School.

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

H. William (Bill) Pearson is an Executive Vice President of Aecon and the President and CEO of Canadian Highways International Corporation. Mr. Pearson also has executive responsibility for Aecon Infrastructure. Mr. Pearson's career in the construction, engineering and development

industry spans over 30 years. He spent more than ten years with AGRA Inc., including serving as President of AGRA Development Group. Prior to joining AGRA, Mr. Pearson worked with SNC-Lavalin where he gained an extensive background in international projects, eventually becoming President of SNC International. Mr. Pearson has a B.Sc., Civil Engineering from the University of Detroit and has completed numerous graduate level courses in hydrodynamics and mathematics.

Dr. Martin Rohr joined the Aecon Board of Directors in 2004. Dr. Rohr has lent his expertise to several boards associated with Hochtief AG since 1994. 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.

L. Brian Swartz is Senior Vice-President, Legal and Commercial Services at Aecon and is responsible for managing the provision of legal, corporate secretarial, safety, labour relations and procurement services. He also has responsibility for insurance and bonding matters and coordinates Aecon's acquisition and divestiture initiatives. Prior to joining Aecon in 1997, Mr. Swartz was General Counsel and Corporate Secretary to the Ontario Transportation Capital Corporation. He has been actively involved in the development of several major infrastructure projects in Canada and abroad. Mr. Swartz is a graduate of Osgoode Hall Law School in Toronto and is continuing legal education liaison and a member of the Executive Committee of the Construction Law Section of the Ontario Bar Association. Mr. Swartz has spoken and written papers for many professional conferences.

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 - 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.

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, and 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 defenses 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 and private companies.

Gernot Wittig is Senior Vice-President, Contracts and Project Controls, as well as Vice Chairman of the Board of Groupe Aecon Ltée. Mr. Wittig has several years of experience in project management and control within buildings and civil construction. His experience with several global projects—in regions including Asia Pacific, Middle East, Europe and Russia—add a unique international perspective to the Aecon executive team. Mr. Wittig obtained his financial

engineering degree from the University of Augsburg, Germany in 1993. Before coming to Aecon in 2004, Mr. Wittig worked for Hochtief AG and Bilfinger Berger AG in Germany.

As at March 17, 2005, to the best knowledge of the Corporation, the directors and named executive officers of the Corporation beneficially own, directly or indirectly, or exercise control or direction over, in the aggregate approximately 1,573,045 common shares, representing 5.1% of the issued and outstanding common shares of Aecon.

7.2 Cease Trade Orders, Bankruptcies, Penalties and Sanctions

No director or executive officer of the Corporation holds a sufficient number of securities to materially affect the control of the Corporation.

7.3 Conflicts of Interest

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

ITEM 8

LEGAL PROCEEDINGS

In the ordinary course of its business, Aecon may be subject to certain contractual claims and contingent liabilities in connection with projects in which it has been historically involved. Disputes with clients for additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions are an unfortunate but unavoidable part of the construction process. See Section 3.2 "Risk Factors". However, the Corporation is not a party to any individual proceedings involving the Corporation, its business, or operations which is likely to have a material adverse effect on the business, operations or financial conditions of the Corporation as a whole. To the knowledge of the Corporation, no such legal proceedings are contemplated.

The Nathpa Jhakri Project has incurred significant delays in respect of which the joint venture, in which Aecon has a 45% interest, has submitted numerous requests for an extension of contract time as well as claims for significant compensation arising from the costs of delays and extra work resulting from changed conditions and other compensable matters. Please see Section 3.2 "Risk Factors" for additional detail.

ITEM 9

INTEREST OF MANAGEMENT AND OTHERS 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.

Since Hochtief's initial investment in the Corporation in 2000, it and Hochtief Canada have entered into various agreements and arrangements with or relating to the Corporation and certain of its subsidiaries, including those matters described below:

- (a) On March 20, 2000, Hochtief Canada and the Corporation entered into a credit agreement relating to a secured loan (the "Convertible Loan") provided by Hochtief Canada to the Corporation in the original principal amount of \$9,939,993. As of December 31, 2004, the principal amount outstanding under the Convertible Loan is \$7,731,000. Hochtief Canada has the right to convert \$613,000 of the principal amount of such loan, or any portion thereof, at any time before June 30, 2006, into common shares at a conversion price of \$3.60 per common share. The remaining principal balance shall be eligible for conversion at such price, at such times, as common shares are issued to employees pursuant to the exercise of Options (other than pursuant to the exercise of Options that were outstanding at December 31, 1999), subject to a minimum conversion price of \$3.00 per common share. The Convertible Loan creates a security interest, behind the security granted to the Corporation's bankers, which includes assignment of accounts receivable, holdbacks receivable and pledges of inventory, equipment and property and other assets of the Corporation. The Corporation is not entitled to repay any principal amount until January 1, 2006.
- (b) Commencing in 2000, Hochtief provided guarantees to ABN AMRO Bank in respect of certain letters of credit and performance guarantees provided by ABN AMRO Bank in respect of the Corporation's involvement through ACGI, its wholly owned subsidiary, in the Nathpa Jhakri Project. As at February 29, 2005, the amount of the guarantees provided by Hochtief is approximately \$22,326,350 in respect of a working capital facility and \$7,967,749 in respect of performance guarantees, for a total exposure to Hochtief of approximately \$30,294,099. ACGI and Hochtief entered into an Indemnity Agreement dated April 4, 2001 whereby ACGI agreed to pay Hochtief any amounts Hochtief is required to pay ABN AMRO Bank under the above guarantees.
- (c) The Convertible Loan and the indemnity obligations of ACGI referred to in (b) above are secured by the assets of the Corporation, ACGI and certain other material subsidiaries of the Corporation. This security is subject to a subordination agreement between Hochtief Canada and the Corporation's bank lenders.

ITEM 10

TRANSFER AGENTS AND REGISTRARS

The Computershare Trust Company of Canada of Toronto, Ontario is the Transfer Agent and Registrar for the common shares of the Corporation.

ITEM 11

MATERIAL CONTRACTS

In June 2004, Aecon renegotiated and renewed its 364-day committed bank credit facility to June 2005, providing a committed \$35 million facility and a further \$15 million demand facility available during certain parts of the year. The bank credit facility requires compliance with a number of operational and financial covenants, which are highly complex and restrictive. Moreover, the value and contributions from Aecon's international projects are not recognized for bank purposes, nor are Aecon's numerous joint ventures, which is in direct conflict with Aecon's strategy of enhancing its competitive position and reducing its risk by joint venturing with experienced and financially capable partners on certain projects. Additionally, Aecon is subject to the annual refinancing risk of the bank facilities, as securing a longer term financing commitment is not possible. Finally, management of the bank financing consumes a disproportionate amount of management time. As such, the bank facility has not been well suited to Aecon's needs.

In late 2004, subsequent to and with benefit of the issuance of \$30 million of convertible debentures (see Section 6.2 “Prior Sales”), Aecon’s three-bank syndicate was requested to consider providing a reduced level of credit support of approximately \$30 million (compared to \$50 million as previously available) but with more flexible and cost effective terms. However, in light of Aecon’s expected financial results for 2004, as indicated within its profit warning issued in January 2005, Aecon’s ability to secure this requested level of credit was put in doubt. Ultimately, two of Aecon’s three banks indicated that they would not be in a position to support Aecon’s credit requirements into 2005. An agreement with the banks was then negotiated to shorten the maturity date of the bank facility from June 4, 2005 to April 30, 2005, reduce the available limit under the facility from \$35 million to \$18.0 million and provide a waiver of compliance with certain financial covenants as at December 31, 2004.

Concurrent to these bank discussions, Aecon was exploring alternative sources of capital to finance its working capital requirements in 2005, ultimately leading to completion of a \$32.5 million convertible debenture financing, which was completed on March 17, 2005 (see Section 6.2 “Prior Sales”).

With benefit of the recent convertible debenture financings, Aecon has sufficient liquidity to finance its expected operations and working capital requirements for the foreseeable future – without the need for bank credit. While these convertible debenture financings are more expensive than the previous senior bank facilities, they provide a committed source of long-term capital that eliminates refinancing risk through their 5-year term, are not restrictive from an operational perspective and will not consume management time with complex quarterly financial covenants and related matters. With benefit of these financings, Aecon intends to cancel its existing bank credit facility. Aecon will attempt to secure a modest bank credit line of \$10 – 15 million to assist with very short term changes in working capital balances and to support its ongoing Letters of Credit requirements. Please see “Financial Condition, Liquidity and Capital Resources” in the MD&A for additional detail.

In September 2003, Aecon entered into a standby financing agreement with its largest shareholder, Hochtief, pursuant to which the Corporation may borrow US dollars up to an amount equivalent to \$10 million. The facility, which is secured by a general security agreement and other security previously put in place to support existing financial arrangements between Hochtief and the Corporation, provides incremental financing to Aecon thereby reducing reliance on bank loans. During fiscal 2003, Aecon borrowed the US dollar equivalent of \$9.7 million under this facility which was repaid in 2004. Please see “Related Party Transactions” in the MD&A for additional detail.

In May 2004, Aecon announced that it had acquired the assets and operations of Cegerco for \$800,000 plus potential earn-out payments over the next four (4) years totaling \$1,200,000.

In May 2004, Aecon announced that it reached an agreement with Hochtief to take the Corporation private at a price of \$6.95 per share (the “Proposed Transaction”). Under the terms of the Proposed Transaction, the Corporation would amalgamate with 4238672 Canada Inc. (“Subco”), a wholly owned subsidiary of Hochtief Canada Inc. (“Hochtief Canada”), and Hochtief Canada, a wholly owned subsidiary of Hochtief. In connection with the Proposed Transaction, Aecon, Subco and Hochtief Canada entered into a transaction agreement dated June 21, 2004 (the “Transaction Agreement”) pursuant to which the Corporation agreed to enter into an amalgamation agreement, provide certain assistance to Hochtief Canada with regard to the Proposed Transaction and hold a shareholder meeting. See pages 12-23 of 2004 Information Circular for additional details. The shareholders voted not to approve the Proposed Transaction at the special and annual meeting held on July 21, 2004.

On January 24, 2005, the Corporation closed a series of transactions, first announced on September 27, 2004, to increase its stake in Derech Eretz Highways (1997) Ltd. from an effective 22.2% to 25%. Please see “Supplemental Disclosures – Contractual Obligations” in the MD&A for additional detail.

In November 2004, the Corporation issued and sold a total of 30,000 Convertible Debentures at an issue price of CDN\$1,000 per Convertible Debenture. See Item 6.2, “Prior Sales” for additional details.

In November 2004, the Corporation and Hochtief Prokektentwicklung Gmbh Infrastructure Development signed a memorandum of understanding for the purpose of establishing a joint venture corporation to co-operate in the pursuit and acquisition of road and/or transport infrastructure and public buildings development projects in Canada and the United States. Upon establishment, Aecon will own thirty percent (30%) of Hochtief PPP Solutions North America Inc., the joint venture corporation created to bid on projects.

In December 2004, Aecon sold its 38.75% interest in Canatom NPM Inc., a nuclear engineering company to SNC-Lavalin, the majority shareholder in the former joint venture. Under the refined terms, Canatom paid Aecon a \$2.75 million dividend prior to the sale. SNC-Lavalin then bought Aecon's shares in Canatom for \$8.25 million, resulting in total proceeds to Aecon of \$11 million. See the November 18, 2004 and December 16, 2004 news releases for additional details.

In December 2004, the Corporation and Hochtief Canada entered into an agreement to amend the Amended and Restated Credit Agreement between the parties dated March 20, 2000. Pursuant to this agreement, Hochtief Canada confirmed the intentions of the March 20, 2000 agreement that it would only be entitled to exercise the conversion rights credited under the Amended and Restated Credit Agreement if, following conversion, Hochtief Canada held less than 50% of the outstanding common shares of Aecon.

ITEM 12

INTERESTS OF EXPERTS

12.1 PricewaterhouseCoopers LLP

The Corporation's auditor is PricewaterhouseCoopers LLP, Chartered Accountants (“PWC”). PWC provided an opinion on the Financial Statement for the year ended December 31, 2003 contained in filings pursuant to National Instrument 51-102 during the year ended December 31, 2004. The direct and indirect interests of PWC and its partners do not exceed one percent in any securities of the Corporation.

12.2 GMP Securities

GMP Securities provided a valuation and fairness opinion in connection with the proposed amalgamation of Aecon and 4238672 Canada Inc., a wholly owned subsidiary of Hochtief Canada, in the management information circular dated June 21, 2004. As of March 24, 2005, the partners and associates of GMP Securities, as a group, own beneficially, directly or indirectly, less than one percent (1%), respectively, of the issued and outstanding shares of the Corporation.

ITEM 13

AUDIT COMMITTEE

13.1 Audit Committee Charter

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

13.2 Composition of the Audit Committee

The current members of the Audit Committee are Michael Butt (Chair), Rob Wildeboer and Austin Beutel. All members of the Audit Committee are: (i) independent; and (ii) financially literate.

13.3 Relevant Education and Experience

Please see "Biographies of Directors and Executive Officers" under Item 7 Directors and Officers for additional background information.

13.4 Reliance on Certain Exemptions

The Corporation did not rely on any exemptions during the year ended December 31, 2004.

13.5 Audit Committee Oversight

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

13.6 Pre-Approval of Policies and Procedures

The Audit Committee has not adopted specific policies for the engagement of non-audit services.

13.7 External Auditor Service Fees

The following table sets forth the fees paid to PWC, the external auditors of the Corporation, for services rendered for fiscal years 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Audit Fees	\$505,000	\$455,000
Audit-Related Fees	\$151,950	\$238,400
Tax Fees	-	\$ 70,000
All Other Fees	<u>\$226,000</u>	<u>-</u>
TOTAL	\$882,950	\$763,400

"**Audit Fees**" include the aggregate professional fees paid to PWC for the audit of the annual consolidated financial statements and other regulatory audits and filings.

"**Audit-Related Fees**" include the aggregate fees paid to PWC for services related to the audit services, including namely, consultations regarding financial reporting and accounting standards.

"**Tax Fees**" include the aggregate fees paid to PWC for tax compliance, tax advice, tax planning

and advisory services relating to the preparation of corporate tax, capital tax and sales tax returns.

"All Other Fees" include the aggregate fees paid to PWC for all other services other than those presented in the categories of Audit Fees, Audit-Related Fees and Tax Fees, including fees related to the filing of a short form prospectus dated March 12, 2004.

ITEM 14

ADDITIONAL INFORMATION

Additional information on the Corporation may be found on SEDAR at www.sedar.com.

In addition to the information available on SEDAR, Aecon will provide to any person or company, upon request to the Corporate Secretary of the Corporation at the registered office of the Corporation:

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

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Aecon's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Corporation's Management Information Circular dated June 21, 2004 for the most recent annual meeting of shareholders held on July 21, 2004. The next annual meeting is scheduled for June 21, 2005. Additional financial information is provided in the Corporation's audited consolidated financial statements for the year ended December 31, 2004 and its annual MD&A for the year ended December 31, 2004 and in its unaudited financial statements for its fiscal quarter ended December 31, 2004. A copy of the foregoing documents may be obtained by shareholders upon request from the Secretary of the Corporation.

APPENDIX A

Audit Committee

Appointment and Purpose

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

1. the integrity of the financial statements of the 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.