MATERIAL CHANGE REPORT

***SECURITIES ACT* (BRITISH COLUMBIA) SECTION 67(1) FORM 27**
***SECURITIES ACT* (ALBERTA) SECTION 146(1) FORM 27**
***SECURITIES ACT* (SASKATCHEWAN) SECTIONS 118 and 119 FORM 25**
***SECURITIES ACT* (ONTARIO) SECTION 74(2) FORM 27**
***SECURITIES ACT* (NOVA SCOTIA) 81(2) FORM 27**
***SECURITIES ACT* (PRINCE EDWARD ISLAND)**

1. **Reporting Issuer:**

   Collicutt Hanover Services Ltd.
   7550 Edgar Industrial Drive
   Red Deer, AB T4P 3R2

2. **Date of Material Change:**

   February 21, 2002

3. **News Release**

   A press release disclosing the details outlined in this Material Change Report was issued by Collicutt Hanover Services Ltd. ("COH") from Red Deer, Alberta, on February 22, 2002 and disseminated through the facilities of Canada NewsWire and would have been received by the securities commissions where COH is a "reporting issuer" in the normal course of its dissemination.

4. **Summary of Material Change:**

   COH announced its unaudited results for the year ended December 31, 2001. COH also announced that it is restating its financial results for the first, second and third quarters of 2001, as described in the press release attached hereto as Schedule "A". COH's restated financial statements for the 3, 6 and 9 months of 2001 are attached hereto as Schedule "B".

5. **Full Description of Material Change:**

   As above and as set forth in Schedule "A" and Schedule "B"

6. **Reliance on Confidentiality Provision:**

   N/A

7. **Omitted Information:**

   N/A

8. **Senior Officer:**

   For further information, please contact Allan J. Cleiren, Vice President, Finance and Chief Financial Officer, (403) 358-6117.

9. **Statement of Senior Officer:**

The foregoing accurately discloses the material change referred to in this report.

DATED as of the 26th of February 2002 at the City of Red Deer, in the Province of Alberta.

COLLICUTT HANOVER SERVICES LTD.

Per:

Allan J. Cleiren
Vice President, Finance
and Chief Financial Officer

cc: The Toronto Stock Exchange

SCHEDULE "A"

COLLICUTT HANOVER SERVICES LTD. REPORTS UNAUDITED 2001 RESULTS

Collicutt Hanover Services Ltd. (Collicutt Hanover) announces a loss of $1.3 million, or $0.12 per share for the year ended December 31, 2001, which is a significant reduction in earnings of $4.6 million compared to the prior year. The reduction in earnings is due to a required adjustment to earlier 2001 quarters and lower than expected results in the fourth quarter. Earnings before interest and taxes (EBIT) from the Fabrication division is a negative $6.5 million for the year, while the Service division's EBIT is $7.2 million for the year. In an effort to inform our shareholders as early as possible, the Company is hereby releasing unaudited financial statements for the year ended December 31, 2001. The financial statements are expected to be finalized by March 8, 2002 upon completion of the annual audit.

Throughout 2001 the Company has been converting its inventory and accounting system to a new Enterprise Resource Planning System (ERP) to accommodate the Fabrication division's exponential growth. During this conversion, an understatement of cost of sales was identified resulting in a $6.2 million adjustment thereto. The $6.2 million adjustment has been attributed to the first and second quarters of 2001, $3.6 million and $2.6 million respectively. Deloitte & Touche LLP, the Company's auditors, have been consulted in respect to this adjustment.

As a result of the material adjustment, the Company will be restating prior 2001 quarters. The following is a summary of restated numbers and the results of the fourth quarter and year-end:

(Expressed in thousands of dollars except share data and number of common shares)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year Ended	Year Ended
	Three months ended March 31, 2001	Three months ended June 30, 2001	Three months ended September 30, 2001	Three months ended December 31, 2001	December 31, 2001	December 31, 2000
	(Restated)	**(Restated)**				
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Revenue	30,507	26,968	27,761	38,545	123,781	98,879
Net earnings	(1,156)	429	1,315	(1,849)	(1,261)	3,356
Earnings per share						
- basic	(0.11)	0.04	0.12	(0.17)	(0.12)	0.36
- diluted	(0.11)	0.04	0.12	(0.17)	(0.12)	0.36
Cash flow from operations before change in non-cash working capital	(1,300)	947	2,160	(503)	1,304	6,164
Cash flow per share						
- basic	(0.12)	0.09	0.20	(0.05)	0.12	0.67
- diluted	(0.12)	0.09	0.20	(0.05)	0.12	0.66
EBITDA	(666)	2,313	3,581	(246)	4,982	9,512
EBIT						
- Service	1,790	2,028	2,085	1,281	7,184	5,188
- Fabrication	(3,109)	(1,247)	518	(2,619)	(6,457)	2,154
- Corporate	-	639	-	-	639	-
	(1,319)	1,420	2,603	(1,338)	1,366	7,342
Weighted average number of shares outstanding						
- basic	10,893,215	10,893,215	10,893,215	10,893,215	10,893,215	9,228,109
- diluted	10,919,381	10,893,215	10,904,338	10,894,008	10,894,376	9.310,574

The Company's Fabrication division incurred negative EBIT of $2.6 million for the fourth quarter. This reduction in earnings is attributable to lower-than-expected margins resulting from deteriorating market conditions, start-up losses associated with the asset acquisition of Simpower Ltd. in November 2001, and increased general and administrative expenses associated with rapid expansion, including the occupancy of the new fabrication facility.

The Company has moved to correct this earnings downturn by focusing on actively managing costs and adding resources in critical areas. We recently created two new senior management positions and appointed Dale Johnson as Vice President of Fabrication, and Bob Schurer as Vice President of Sales & Marketing. Both of these individuals bring extensive expertise to their positions. Dale Johnson will be responsible for streamlining the structure and process of the fabrication division. Bob Schurer will implement a sales and marketing strategy, which includes accurate job estimates, with the intention of improving gross margins.

Collicutt Hanover expects continued strong cash flow and profits from its Service business during 2002. Sales of new fabricated packages are expected to be soft for 2002 as an economic slowdown has resulted in reduced demand for natural gas and has negatively impacted our customers capital expenditure programs, which will reduce orders for new compression equipment.

Industry analysts anticipate long-term continental demand for natural gas will strengthen. As demand for natural gas increases, the demand for compression equipment to maximize production from maturing fields will also increase making the long-term outlook for new compression equipment positive. Service sector demand is correlated with the installed equipment base and, accordingly, is expected to remain strong throughout all cycles.

Management's Discussion and Analysis for the Fourth Quarter 2001

For the fourth quarter of 2001, the Service division's revenue increased to $16.1 million, a 16 percent increase as compared to the same period in the prior year. Revenue from the Service division at year-end increased 17 percent from the prior year to $61.1 million. The increase is a result of expanding our re-fabrication operation and achieving a full year of revenue from the Bonnyville service branch, which opened in the fourth quarter of 2000. Service capabilities and associated revenue also increased with the opening of branches in Edson and Drumheller and expansion of the service facility in Medicine Hat.

The Fabrication division's revenue increased 26 percent to $22.5 million in the fourth quarter of 2001 from the same period in the previous year. Revenue from the Fabrication division at year-end increased 34 percent from the prior year to $62.7 million. Compression equipment accounted for 90 percent of sales with the remaining 10 percent being contributed by power equipment sales.

Due to market volatility and reduced capital spending among customers, the Company does not expect to see significant short-term growth in revenues in the Fabrication division. Power sales are expected to increase as opportunities continue in this industry. Simpower's business relationships both domestically and internationally will open new markets for the Company.

With the opening of Phase I of Collicutt Hanover's new fabrication facility in August of 2000 and the opening of Phase II in 2001, the Company dramatically increased its capacity to fabricate compressor and power generation packages. Utilization, however, was not as great as anticipated in the year, and therefore revenue in this division in 2001 was less than expected.

Gross margin is $3.8 million in the fourth quarter of 2001, a decrease of $2.0 million compared to the previous year. For the year, gross margin as a percentage of sales amounted to 16 percent, or $19.4 million as compared to 19 percent, or $19.2 million in the previous year.

For the fourth quarter, the Service division's EBIT margin increased 7 percent to $1.3 million as compared to the same period in the previous year. Service EBIT margin of $7.2 million for the year increased 38 percent from the previous year of $5.2 million as a result of increased revenue, which did not require a corresponding large increase in costs. The Company's strong market position in the service business resulted in EBIT margin as a percentage of revenue increasing to 12 percent as compared to a 10 percent EBIT margin for the year ended December 31, 2000.

For the fourth quarter, a negative EBIT of $2.6 million was incurred in the Fabrication division; a decrease of $3.3 million compared to the same period in the previous year. The 2001 fiscal year EBIT loss for the Fabrication division is $6.5 million compared to a positive $2.2 million EBIT in 2000. EBIT for the Fabrication division for 2001 was materially impacted by a job costing adjustment to the first and second quarters of 2001, which was recently identified during the conversion of the Fabrication division's accounting system to a new ERP system. Also contributing to the loss was lower-than-expected margin on packages sold in the fourth quarter, start-up losses incurred subsequent to the acquisition of Simpower Ltd. and insufficient activity to cover general and administration expenses.

For the fourth quarter of 2001, general and administration (G&A) expenses increased 33 percent to $4.2 million as compared to the same period in 2000. For the year, G&A expenses totalled $15.2 million, an increase of $5.4 million or 55 percent from the previous year. The addition of two new service branches, as well as the asset acquisition of two new businesses, Daval Industries in April 2001 and Simpower Ltd. in November of 2001, accounted for $1.2 million in G&A expenses. Included in G&A is a $0.3 million foreign exchange loss. The increase in infrastructure required to support our fabrication business and the expansion of our re-fabrication operation also contribute to this increase. The Company's G&A also increased due to investing in the development of an international presence and additional costs incurred in 2001 in order to implement the Company's new ERP system in the fabrication business.

Interest expense increased to $2.6 million from $1.3 million in 2000 as the Company borrowed an additional $12.9 million during the year to finance the expansion of its service and fabrication facilities. The Company also drew upon operating lines in the year as a result of an increase in working capital requirements and the asset acquisition of Daval Industries and Simpower Ltd.

In the fourth quarter of 2001, amortization of capital assets increased 38 percent from the same period in the prior year. Amortization of capital assets increased to $3.6 million in 2001 from $2.2 million in 2000 due to buildings and equipment acquired through the year for the expansion of our service and fabrication facilities as well as the asset acquisition of assets of Daval Industries and Simpower Ltd.

Cash flow from operations before changes in non-cash working capital was negative $1.3 million in 2001, a $4.6 million decline from the previous year, and is primarily due to fabrication margin not being sufficient to cover operating costs.

The Company drew upon $12.9 million in term facilities throughout the year in order to finance the expansion of its fabrication and service facilities and pay down $1.8 million of debt. Total term debt at the end of the year was $25.1 million, including $2.9 million scheduled to be repaid in 2002. The Company will draw upon an additional $4.8 million of term facilities in the first quarter of 2002 to reduce its operating line, which was used to acquire the assets of Simpower Ltd. and other equipment.

The Company purchased fixed assets of $14.4 million throughout the year as a result of increases in buildings and equipment acquired through the expansion of our service and fabrication businesses as well as the acquisition of assets of Daval Industries and Simpower Ltd.. Also included in the $14.4 million is a $0.5 million acquisition of land, which was also sold during the year, resulting in a gain on sale of $0.6 million.

Outlook

Collicutt Hanover's customers and energy sector forecasters are predicting a 20 percent decline in capital expenditures for 2002. Further, only 13,000 oil and gas wells are forecasted to be drilled in 2002, down from just over 18,000 last year. The reduced capital expenditures and drilling activity are expected to result in reduced demand for new compression equipment. The forecast for Service revenue and profitability are anticipated to further increase in 2002; approximating historical growth rates.

During 2001, the Company sold equipment into Australia, South America, and Europe. Initial steps have been taken to increase the contribution of international sales by establishing dedicated sales people and partnering with sales agents throughout the world.

The Company is positioning itself to better utilize its fabrication facilities by expanding its international presence.

In summary, Collicutt Hanover expects that the year 2002 will be a year of rebuilding, characterized from the strength in the Service division and improvements in the Fabrication division.

Consolidated Balance Sheets
(Expressed in thousands of dollars)

	Period Ended	
	December 31, 2001 (unaudited)	December 31, 2000
ASSETS		
Current		
Accounts receivable	**30,290**	31,556
Inventory and work-in-progress	**54,138**	48,037
Prepaid expenses and deposits	**605**	990
Income tax recoverable	**1,872**	329
	86,905	80,912
Future income taxes	**1,061**	614
Property, plant and equipment	**45,010**	34,889
	132,976	116,415
LIABILITIES		
Current		
Operation loan	**34,357**	24,053
Accounts payable and accrued liabilities	**19,760**	25,358
Deferred revenue	**4,567**	2,540
Current portion of long-term debt	**2,884**	869
	61,568	52,820
Long-term debt	**22,233**	13,159
	83,801	65,979
Shareholders' equity		
Share capital	**40,459**	40,459
Retained earnings	**8,716**	9,977
	49,175	50,436
	132,976	116,415

Consolidated Statement of Earnings and Retained Earnings

(Expressed in thousands of dollars except share data and number of common shares)

	Three months ended		Twelve months ended	
	December 31, 2001	December 31, 2000	**December 31, 2001**	December 31, 2000
	$	$	**$**	$
	(unaudited)	(unaudited)	**(unaudited)**	
Sales	**38,545**	31,669	**123,781**	98,879
Cost of goods sold	**34,700**	25,824	**104,422**	79,694
Gross profit	**3,845**	5,845	**19,359**	19,185
Other income	**157**	32	**842**	152
	4,002	5,877	**20,201**	19,337
Expenses				
General and administration	**4,248**	3,197	**15,219**	9,825
Interest	**591**	552	**2,592**	1,344
Amortization	**1,092**	789	**3,616**	2,170
	5,931	4,538	**21,427**	13,339
Earnings before income taxes	**(1,929)**	1,339	**(1,226)**	5,998
Income taxes (Note 8)				
Current	**(94)**	512	**482**	2,369
Future income tax	**14**	252	**(447)**	273
	(80)	764	**35**	2,642
Net (loss) earnings	**(1,849)**	575	**(1,261)**	3,356
Retained earnings, beginning of period	**10,565**	9,402	**9,977**	6,621
Retained earnings, end of period	**8,716**	9,977	**8,716**	9,977
Earnings per share				
- basic	**(0.17)**	0.04	**(0.12)**	0.36
- diluted	**(0.17)**	0.04	**(0.12)**	0.36
Weighted average number of common shares				
- basic	**10,893,215**	10,893,215	**10,893,215**	9,228,109
- diluted	**10,894,008**	10,904,344	**10,894,376**	9,310,774

Consolidated Statement of Cash Flows

(Expressed in thousands of dollars)

	Three months ended		Twelve months ended	
	December 31, 2001	December 31, 2000	**December 31, 2001**	December 31, 2000
	$	$	**$**	$
	(unaudited)	(unaudited)	**(unaudited)**	
Cash flows related to the following activities:				
Operating				
Net (loss) earnings	**(1,849)**	575	**(1,261)**	3,356
Adjustments for:				
Amortization	**1,092**	789	**3,616**	2,170
Gain on sale of assets	**(1)**	(9)	**(652)**	(34)
Future income tax (recovery) expense	**14**	252	**(447)**	273
Provision for warranty costs	**241**	24	**48**	399
	(503)	1,631	**1,304**	6,164
Net change in non-cash working capital	**(5,813)**	(6,307)	**(9,612)**	(28,224)
	(6,316)	(4,676)	**(8,308)**	(22,060)
Financing				
Issue of long-term debt	**1,313**	3,820	**12,900**	14,750
Repayment of long-term debt	**(603)**	(426)	**(1,811)**	(4,210)
Issuance of share capital	**-**	-	**-**	23,100
Share issue costs	**-**	(1)	**-**	(1,542)
	710	3,393	**11,089**	32,098
Investing				
Purchase of property, plant and equipment	**(2,003)**	(7,418)	**(14,387)**	(23,378)
Proceeds on sale of assets	**1**	63	**1,302**	204
	(2,002)	(7,355)	**(13,085)**	(23,174)
Net decrease in cash and cash equivalents	**(7,608)**	(8,638)	**(10,304)**	(13,136)
Cash and cash equivalents, beginning of year	**(26,749)**	(15,415)	**(24,053)**	(10,917)
Cash and cash equivalents, end of year	**(34,357)**	(24,053)	**(34,357)**	(24,053)
Represented by:				
Cash and short-term deposits	**3**	39	**3**	39
Operating line	**(34,360)**	(24,092)	**(34,360)**	(24,092)
	(34,357)	(24,053)	**(34,357)**	(24,053)

Segmented Information
(Expressed in thousands of dollars)

	Three months ended		Twelve months ended	
	December 31, 2001 $	December 31, 2000 $	**December 31, 2001 $**	December 31, 2000 $
	(unaudited)	(unaudited)	(unaudited)	
Revenue				
Service	**16,078**	13,829	**61,076**	52,124
Fabrication	**22,467**	17,840	**62,705**	46,755
	38,545	31,669	**123,781**	98,879
Earnings before interest and income taxes				
Service	**1,281**	1,197	**7,184**	5,188
Fabrication	**(2,619)**	694	**(6,457)**	2,154
Corporate	**-**	-	**639**	-
	(1,338)	1,891	**1,366**	7,342
Amortization				
Service	**434**	401	**1,464**	1,261
Fabrication	**621**	383	**2,016**	859
Corporate	**37**	5	**136**	50
	1,092	789	**3,616**	2,170

	As at December 31,	
	2001	2000
	(unaudited)	
Assets		
Service	**55,691**	49,047
Fabrication	**74,066**	66,282
Corporate	**3,219**	1,086
	132,976	116,415

Collicutt Hanover is a multi-faceted company engaged in the business of fabricating and servicing Natural Gas Compression and Power Generation equipment. Commencing operations in 1986 in Red Deer, Alberta the Company now operates from 11 service and sales locations strategically located to service our customers. The Company's 211,000-square-foot, state-of the-art, manufacturing and assembly facility has the second largest capacity for the fabrication of Natural Gas Compressor packages in the Canadian energy sector. Collicutt Hanover is in an excellent position to capitalize on the anticipated growth in demand for both gas compression and power generation.

Collicutt Hanover's common shares trade on the Toronto Stock Exchange under the trading symbol "COH". Collicutt Hanover's website address is www.collicutt.com.

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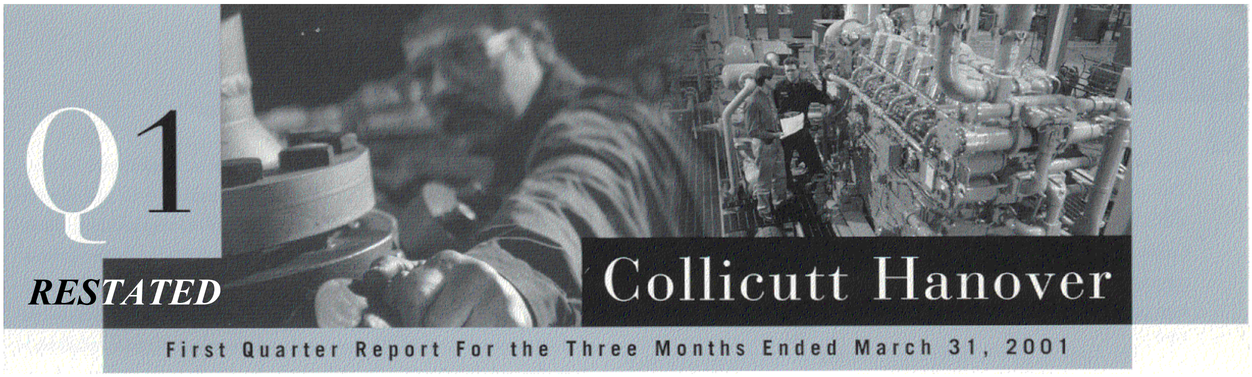


To Our Shareholders

Throughout 2001, Collicutt Hanover Services Ltd. has been converting its inventory and accounting system to a new Enterprise Resource Planning System to accommodate the Fabrication division's exponential growth. During this conversion, an understatement of cost of sales was identified, resulting in a $6.2 million adjustment thereto. The $6.2 million adjustment has been attributed to the first and second quarters of 2001, $3.6 million and $2.6 million respectively. Deloitte & Touche LLP, the Company's auditors, have been consulted in respect to this adjustment. The Company's first quarter report for the three-month period ended March 31, 2001 has been amended accordingly.

Gross profit has been reduced $3.6 million to $2.6 million for the first quarter of 2001 as compared to that previously reported. The Company's Fabrication division earnings before interest and taxes (EBIT) have correspondingly been reduced by $3.6 million to negative $3.1 million. Income tax expense, tax payable (recovery) and future income tax amounts have also been adjusted to reflect the resulting lower earnings.

Financial Performance
The financial highlights for the three months ended March 31, 2001 are as follows:
(Expressed in thousands of dollars except share data and number of common shares)

	Three months ended	
	March 31, 2001	March 31, 2000
	$	$
	Restated	
	(unaudited)	
Revenue	**30,507**	22,948
Net (loss) earnings	**(1,156)**	765
Earnings (loss) per share (basic and diluted)	**(0.11)**	0.10
Cash flow from operations before changes in non-cash working capital	**(1,300)**	1,150
Cash flow per share (basic and diluted)	**(0.12)**	0.15
EBITDA	**(666)**	1,986
Weighted average number of shares outstanding		
- basic	**10,893,215**	7,507,500
- diluted	**10,919,381**	7,507,500
Actual shares outstanding		
- basic	**10,893,215**	7,507,500
- diluted	**11,574,715**	7,507,500

Consolidated Balance Sheets

(Expressed in thousands of dollars)

	Period ended	
	March 31, 2001	December 31, 2000
	$	$
	Restated	
	(unaudited)	
Assets - Current		
Accounts receivable	**36,645**	31,556
Inventory and work-in-progress	**41,222**	48,037
Prepaid expenses and deposits	**722**	990
Income tax recoverable	**686**	329
	79,275	80,912
Future income taxes	**1,405**	614
Property, plant and equipment	**40,094**	34,889
	120,774	116,415
Liabilities – Current		
Operating loan	**25,832**	24,053
Accounts payable and accrued liabilities	**25,391**	25,358
Deferred revenue	**2,747**	2,540
Current portion of long-term debt	**1,182**	869
	55,152	52,820
Long-term debt	**16,342**	13,159
	71,494	65,979
Shareholders' equity		
Share capital	**40,459**	40,459
Retained earnings	**8,821**	9,977
	49,280	50,436
	120,774	116,415

Consolidated Statement of Earnings and Retained Earnings

(Expressed in thousands of dollars except for share amounts and number of common shares)

	Three months ended	
	March 31, 2001	March 31, 2000
	$	$
	Restated	
	(unaudited)	
Sales	**30,507**	22,948
Cost of goods sold	**27,928**	19,066
Gross profit	**2,579**	3,882
Other income	**7**	-
	2,586	3,882
Expenses		
General and administration	**3,252**	1,896
Interest	**628**	294
Amortization	**653**	338
	4,533	2,528
Earnings (loss) before income taxes	**(1,947)**	1,354
Income taxes		
Current	**-**	574
Future income tax	**(791)**	15
	(791)	589
Net (loss) earnings	**(1,156)**	765
Retained earnings, beginning of period	**9,977**	6,621
Retained earnings, end of period	**8,821**	7,386
Earnings per share		
- basic	**(0.11)**	0.10
- diluted	**(0.11)**	0.10
Weighted average number of common shares		
- basic	**10,893,215**	7,507,500
- diluted	**10,919,381**	7,507,500

Note 1: Basis of Presentation

The accounting policies used in the preparation of these financial statements are consistent with those disclosed in the audited consolidated financial statements for the years ended December 31, 2000 and 1999 contained in the 2000 Annual Report. These financial statements should be read in conjunction with the Annual Report.

Consolidated Statement of Cash Flows

(Expressed in thousands of dollars)

	Three months ended	
	March 31, 2001	March 31, 2000
	$	$
	Restated	
	(unaudited)	
Cash flows related to the following activities:		
Operating		
Net (loss) earnings	**(1,156)**	765
Adjustments for:		
Amortization	**653**	338
Loss on sale of assets	**-**	2
Future income tax expense (recovery)	**(791)**	15
Provision for warranty costs	**(6)**	30
	(1,300)	1,150
Net change in non-cash working capital	**1,883**	(5,519)
	583	(4,369)
Financing		
Issue of long-term debt	**3,799**	3,130
Repayment of long-term debt	**(303)**	(3,460)
Share issue costs	**-**	(83)
	3,496	(413)
Investing		
Purchase of property, plant and equipment	**(5,859)**	(2,718)
Proceeds on sale of assets	**1**	14
	(5,858)	(2,704)
Net decrease in cash and cash equivalents	**(1,779)**	(7,486)
Cash and cash equivalents, beginning of period	**(24,053)**	(10,917)
Cash and cash equivalents, end of period	**(25,832)**	(18,403)
Represented by:		
Cash and short-term deposits	**107**	-
Operating line	**(25,939)**	(18,403)
	(25,832)	(18,403)

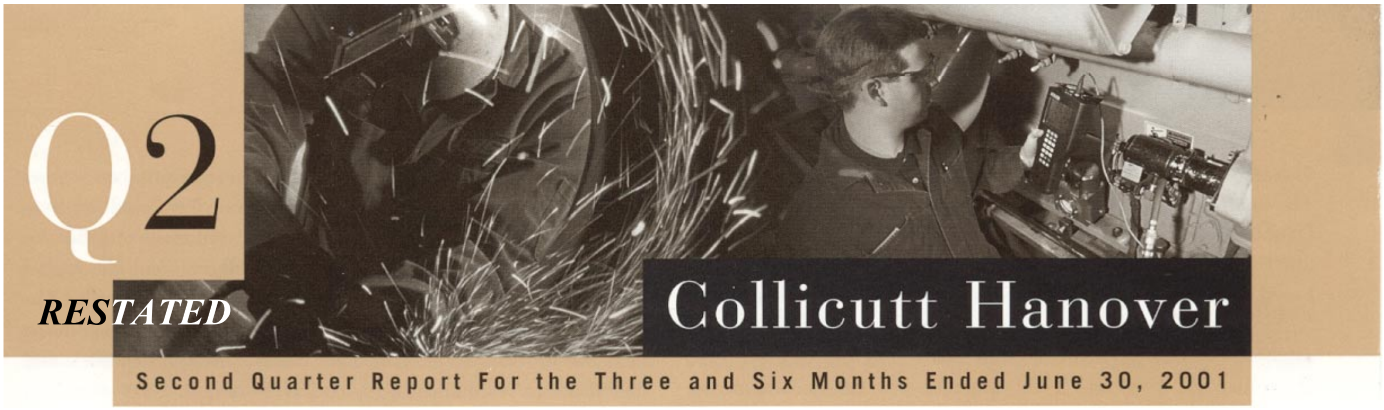
Note 2: Segmented Information

(Expressed in thousands of dollars)

	Three months ended	
	March 31, 2001	March 31, 2000
	$	$
	Restated	
	(unaudited)	
Revenue		
Fabrication	**15,009**	14,479
Service	**15,498**	8,469
	30,507	22,948
Earnings (loss) before interest and income taxes		
Fabrication	**(3,109)**	1,364
Service	**1,790**	284
	(1,319)	1,648
Amortization		
Fabrication	**319**	85
Service	**304**	249
Corporate	**30**	4
	653	338
	Period ended	
	March 31, 2001	December 31, 2000
	$	$
	Restated	
	(unaudited)	
Assets		
Fabrication	**68,329**	66,282
Service	**49,750**	49,047
Corporate	**2,695**	1,086
	120,774	116,415

Note 3: Subsequent Events

Effective April 5, 2001, the Company acquired all of the assets of Daval Industries for $2 million pursuant to an asset purchase agreement. The purchase price was allocated $1,040,000 to working capital and $960,000 to capital assets. Report. These financial statements should be read in conjunction with the Annual Report.



To Our Shareholders

Throughout 2001, Collicutt Hanover Services Ltd. has been converting its inventory and accounting system to a New Enterprise Resource Planning System to accommodate the Fabrication division's exponential growth. During this conversion, an understatement of cost of sales was identified, resulting in a $6.2 million adjustment thereto. The $6.2 million adjustment has been attributed to the first and second quarters of 2001, $3.6 million and $2.6 million respectively. Deloitte & Touche LLP, the Company's auditors, have been consulted in respect to this adjustment. The Company's second quarter report for the six-month period ended, June 30, 2001 has been amended accordingly.

Gross profit has been reduced $2.6 million to $5.0 million for the three-month period ended June 30, 2001 and reduced $6.2 million to $7.8 million for the six month period ended June 30, 2001. The Company's Fabrication division earnings before interest and taxes (EBIT) for the three and six-month period ending June 30, 2001 have correspondingly been reduced by $2.6 million and $6.2 million, to negative $1.2 million and negative $4.4 million respectively. Income tax expense, tax payable (recovery) and future income tax amounts have also been adjusted to reflect the resulting lower earnings.

Financial Performance
The financial highlights for the six months ended June 30, 2001 are as follows:
(Expressed in thousands of dollars except share data and number of common shares)

	Three months ended		Six months ended	
	June 30, 2001	June 30, 2000	**June 30, 2001**	June 30, 2000
	$	$	**$**	$
	Restated		***Restated***	
	(unaudited)		(unaudited)	
Revenue	**26,968**	16,950	**57,475**	39,898
Net (loss) earnings	**429**	759	**(727)**	1,524
Earnings (loss) per share (basic and diluted)	**0.04**	0.10	**(0.07)**	0.20
Cash flow from operations before changes in non-cash working capital	**947**	1,370	**(353)**	2,520
Cash flow per share (basic and diluted)	**0.09**	0.18	**(0.03)**	0.33
EBITDA	**2,313**	1,691	**1,647**	3,677
Weighted average number of shares outstanding				
- basic	**10,893,215**	7,619,127	**10,893,215**	7,562,702
- diluted	**10,893,215**	7,639,385	**10,893,215**	7,573,443
			June 30, 2001	June 30, 2000
			(unaudited)	
Shares outstanding			**10,893,215**	10,893,215
Options outstanding			**718,500**	614,500

Consolidated Balance Sheets

(Expressed in thousands of dollars)

	Period ended June 30, 2001	December 31, 2000
	$	$
	Restated (unaudited)	
Assets - Current		
Accounts receivable	**25,738**	31,556
Inventory and work-in-progress	**41,285**	48,037
Prepaid expenses and deposits	**588**	990
Income tax recoverable	**1,160**	329
	68,771	80,912
Future income taxes	**1,136**	614
Property, plant and equipment	**42,618**	34,889
	112,525	116,415
Liabilities – Current		
Operating loan	**24,896**	24,053
Accounts payable and accrued liabilities	**12,457**	25,358
Deferred revenue	**3,641**	2,540
Current portion of long-term debt	**1,554**	869
	42,548	52,820
Long-term debt	**20,268**	13,159
	62,816	65,979
Shareholders' equity		
Share capital	**40,459**	40,459
Retained earnings	**9,250**	9,977
	49,709	50,436
	112,525	116,415

Consolidated Statement of Cash Flows

(Expressed in thousands of dollars)

	Three months ended June 30, 2001	2000	Six months ended June 30, 2001	2000
	$	$	**$**	$
	Restated		***Restated***	
		(unaudited)		
Cash flows related to the following activities:				
Operating				
Net earnings	**429**	759	**(727)**	1,524
Adjustments for:				
Amortization	**893**	408	**1,546**	746
Gain on sale of assets	**(650)**	(39)	**(650)**	(37)
Future income tax expense (recovery)	**269**	(2)	**(522)**	13
Provision for warranty costs	**6**	244	**-**	274
	947	1,370	**(353)**	2,520
Net change in non-cash working capital	**(1,542)**	(7,737)	**341**	(13,256)
	(595)	(6,367)	**(12)**	(10,736)
Financing				
Issue of long-term debt	**4,720**	5,375	**8,519**	8,505
Repayment of long-term debt	**(422)**	(98)	**(725)**	(3,558)
Issuance of share capital	**-**	23,100	**-**	23,100
Share issue costs	**-**	(1,420)	**-**	(1,503)
	4,298	26,957	**7,794**	26,544
Investing				
Purchase of property, plant and equipment	**(4,066)**	(6,149)	**(9,925)**	(8,867)
Proceeds on sale of assets	**1,299**	112	**1,300**	126
	(2,767)	(6,037)	**(8,625)**	(8,741)
Net increase (decrease) in cash and cash equivalents	**936**	14,553	**(843)**	7,067
Cash and cash equivalents, beginning of period	**(25,832)**	(18,403)	**(24,053)**	(10,917)
Cash and cash equivalents, end of period	**(24,896)**	(3,850)	**(24,896)**	(3,850)
Represented by:				
Cash and short-term deposits	**15**	13,041	**15**	13,041
Operating line	**(24,911)**	(16,891)	**(24,911)**	(16,891)
	(24,896)	(3,850)	**(24,896)**	(3,850)

Consolidated Statement of Earnings and Retained Earnings

(Expressed in thousands of dollars except share data and number of common shares)

	Three months ended June 30, 2001	2000	Six months ended June 30, 2001	2000
	$	$	**$**	$
	Restated		***Restated***	
		(unaudited)		
Sales	**26,968**	16,950	**57,475**	39,898
Cost of goods sold	**21,773**	12,962	**49,701**	32,028
Gross profit	**5,195**	3,988	**7,774**	7,870
Other income	**673**	97	**680**	97
	5,868	4,085	**8,454**	7,967
Expenses				
General and administration	**3,555**	2,394	**6,807**	4,290
Interest	**688**	220	**1,316**	514
Amortization	**893**	408	**1,546**	746
	5,136	3,022	**9,669**	5,550
Earnings (loss) before income taxes	**732**	1,063	**(1,215)**	2,417
Income taxes				
Current	**34**	306	**34**	880
Future income tax	**269**	(2)	**(522)**	13
	303	304	**(488)**	893
Net earnings (loss)	**429**	759	**(727)**	1,524
Retained earnings, beginning of period	**8,821**	7,386	**9,977**	6,621
Retained earnings, end of period	**9,250**	8,145	**9,250**	8,145
Earnings per share (basic and diluted)	**0.04**	0.10	**(0.07)**	0.20
Weighted average number of common shares				
- basic	**10,893,215**	7,619,127	**10,893,215**	7,562,702
- diluted	**10,893,215**	7,639,385	**10,893,215**	7,573,443

Note 2: Segmented Information

(Expressed in thousands of dollars)

	Three months ended June 30, 2001	2000	Six months ended June 30, 2001	2000
	$	$	**$**	$
	Restated		***Restated***	
		(unaudited)		
Revenue				
Fabrication	**12,802**	2,023	**27,811**	16,502
Service	**14,166**	14,927	**29,664**	23,396
	26,968	16,950	**57,475**	39,898
Earnings (loss) before interest and income taxes				
Fabrication	**(1,247)**	(618)	**(4,356)**	747
Service	**2,028**	1,901	**3,818**	2,184
Corporate	**639**	-	**639**	-
	1,420	1,283	**101**	2,931
Amortization				
Fabrication	**517**	97	**836**	182
Service	**343**	306	**647**	555
Corporate	**33**	5	**63**	9
	893	408	**1,546**	746

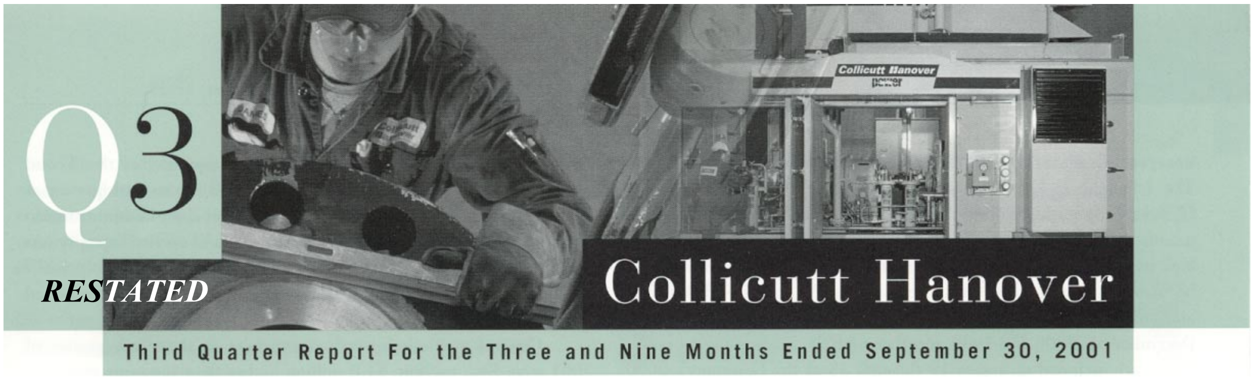
	June 30, 2001	June 30, 2000
	$	$
	Restated (unaudited)	
Assets		
Fabrication	**59,679**	29,457
Service	**50,501**	47,704
Corporate	**2,345**	834
	112,525	77,995

Note 1: Basis of Presentation

The accounting policies used in the preparation of these financial statements are consistent with those disclosed in the audited consolidated financial statements for the years ended December 31, 2000 and 1999 contained in the year 2000 annual report. These financial statements should be read in conjunction with the Annual Report.

Note 3: Business Acquisitions

Effective April 5, 2001, the Company acquired all of the assets of Daval Industries for $2 million pursuant to an asset purchase agreement. The purchase price was allocated $1,040,000 to working capital and $960,000 to capital assets.



To Our Shareholders

Throughout 2001, Collicutt Hanover Services Ltd. has been converting its inventory and accounting system to a New Enterprise Resource Planning System to accommodate the Fabrication division's exponential growth. During this conversion, an understatement of cost of sales was identified, resulting in a $6.2 million adjustment thereto. The $6.2 million adjustment has been attributed to the first and second quarters of 2001, $3.6 million and $2.6 million respectively. Deloitte & Touche LLP, the Company's auditors, have been consulted in respect to this adjustment. The Company's third quarter report for the nine-month period ended, September 30, 2001 has been amended accordingly.

Gross profit has been reduced $6.2 million to $15.5 million for the nine-month period ended September 30, 2001. The Company's Fabrication division earnings before interest and taxes (EBIT) has correspondingly been reduced by $6.2 million to negative $3.8 million. Income tax expense, tax payable (recovery) and future income tax amounts have also been adjusted to reflect the resulting lower earnings.

Financial Performance
The financial highlights for the nine months ended September 30, 2001 are as follows:
(*Expressed in thousands of dollars except share data and number of common shares*)

	Three months ended		Nine months ended	
	September 30, 2001	September 30, 2000	**September 30, 2001**	September 30, 2000
	$	$	**$**	$
	(unaudited)		(unaudited)	
Revenue	**27,761**	27,312	**85,236**	67,210
Net (loss) earnings	**1,315**	1,257	**588**	2,781
Earnings (loss) per share (basic and diluted)				
- basic	**0.12**	0.12	**0.05**	0.32
- diluted	**0.12**	0.11	**0.05**	0.32
Cash flow from operations before changes in non-cash working capital	**2,160**	2,013	**1,807**	4,533
Cash flow per share				
- basic	0.20	0.19	**0.17**	0.52
- diluted	0.20	0.18	**0.17**	0.51
EBITDA	**3,581**	3,155	**5,228**	6,832
Weighted average number of shares outstanding				
- basic	**10,893,215**	10,893,215	**10,893,215**	8,681,379
- diluted	**10,904,338**	11,018,440	**10,893,243**	8,816,498
Shares outstanding			**10,893,215**	10,893,215
Options outstanding			**740,500**	614,500

Consolidated Balance Sheets

(Expressed in thousands of dollars)

	Period ended	
	Sept. 30, 2001	Dec. 31, 2000
	$	$
	Restated	
	(unaudited)	
Assets - Current		
Accounts receivable	**30,388**	31,556
Inventory and work-in-progress	**48,398**	48,037
Prepaid expenses and deposits	**762**	990
Income tax recoverable	**1,201**	329
	80,749	80,912
Future income taxes	**1,075**	614
Property, plant and equipment	**44,099**	34,889
	125,923	116,415
Liabilities - Current		
Operating loan	**26,749**	24,053
Accounts payable and accrued liabilities	**16,934**	25,358
Deferred revenue	**6,809**	2,540
Current portion of long-term debt	**2,099**	869
	52,591	52,820
Long-term debt	**22,308**	13,159
	74,899	65,979
Shareholders' equity		
Share capital	**40,459**	40,459
Retained earnings	**10,565**	9,977
	51,024	50,436
	125,923	116,415

Consolidated Statement of Cash Flows

(Expressed in thousands of dollars)

	Three months ended		Nine months ended	
	Sept. 30, 2001	Sept. 30, 2000	**Sept. 30, 2001**	Sept. 30, 2000
	$	$	**$**	$
			Restated	
		(unaudited)		
Cash flows related to the following activities:				
Operating				
Net earnings	**1,315**	1,257	**588**	2,781
Adjustments for:				
Amortization	**978**	635	**2,524**	1,381
(Gain) loss on sale of assets	**(1)**	12	**(651)**	(25)
Future income tax expense (recovery)	**61**	8	**(461)**	21
Provision for warranty costs	**(193)**	101	**(193)**	375
	2,160	2,013	**1,807**	4,533
Net change in non-cash working capital	**(4,140)**	(8,661)	**(3,799)**	(21,917)
	(1,980)	(6,648)	**(1,992)**	(17,384)
Financing				
Issue of long-term debt	**3,068**	2,425	**11,587**	10,930
Repayment of long-term debt	**(483)**	(226)	**(1,208)**	(3,784)
Issuance of share capital	-	-	-	23,100
Share issue costs	-	(38)	-	(1,541)
	2,585	2,161	**10,379**	28,705
Investing				
Purchase of property, plant and equipment	**(2,459)**	(7,093)	**(12,384)**	(15,960)
Proceeds on sale of assets	**1**	15	**1,301**	141
	(2,458)	(7,078)	**(11,083)**	(15,819)
Net decrease in cash and cash equivalents	**(1,853)**	(11,565)	**(2,696)**	(4,498)
Cash and cash equivalents, beginning of period	**(24,896)**	(3,850)	**(24,053)**	(10,917)
Cash and cash equivalents, end of period	**(26,749)**	(15,415)	**(26,749)**	(15,415)
Represented by:				
Cash and short-term deposits	**16**	44	**16**	44
Operating line	**(26,765)**	(15,459)	**(26,765)**	(15,459)
	(26,749)	(15,415)	**(26,749)**	(15,415)

Consolidated Statement of Earnings and Retained Earnings

(Expressed in thousands of dollars except share data and number of common shares)

	Three months ended		Nine months ended	
	Sept. 30, 2001	Sept. 30, 2000	**Sept. 30, 2001**	Sept. 30, 2000
	$	$	**$**	$
			Restated	
		(unaudited)		
Sales	**27,761**	27,312	**85,236**	67,210
Cost of goods sold	**20,021**	21,842	**69,722**	53,870
Gross profit	**7,740**	5,470	**15,514**	13,340
Other income	**5**	23	**685**	120
	7,745	5,493	**16,199**	13,460
Expenses				
General and administration	**4,164**	2,338	**10,971**	6,628
Interest	**685**	278	**2,001**	792
Amortization	**978**	635	**2,524**	1,381
	5,827	3,251	**15,496**	8,801
Earnings before income taxes	**1,918**	2,242	**703**	4,659
Income taxes				
Current	**542**	977	**576**	1,857
Future income tax	**61**	8	**(461)**	21
	603	985	**115**	1,878
Net earnings	**1,315**	1,257	**588**	2,781
Retained earnings, beginning of period	**9,250**	8,145	**9,977**	6,621
Retained earnings, end of period	**10,565**	9,402	**10,565**	9,402
Earnings per share				
- basic	**0.12**	0.12	**0.05**	0.32
- diluted	**0.12**	0.11	**0.05**	0.32
Weighted average number of common shares				
- basic	**10,893,215**	10,893,215	**10,893,215**	8,681,379
- diluted	**10,904,338**	11,018,440	**10,893,243**	8,816,498

Note 1: Accounting Policies

Interim Financial Statements

The accompanying interim consolidated financial statements of Collicutt Hanover have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies used in the preparation of these financial statements are consistent with those used for the preparation of prior quarterly reports for 2001 and are consistent, except as noted below, with those disclosed in the audited consolidate financial statements for the years ended December 31, 2000 and 1999. Interim financial statements and the notes thereto should be read in conjunction with the Company's financial statements contained in the Annual Report for the year ended December 31, 2000.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end and the results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the accompanying audited interim consolidated financial statements include all adjustments (of a normal reoccurring nature) necessary to present fairly the consolidated results of its operations and cash flows for the periods ended September 30, 2001 and 2000.

Accounting Change

Effective January 1, 2001, the Company retroactively adopted recommendations of the CICA Handbook section 3500 regarding earnings per share. Under the revised standard, the treasury stock method is used instead of the imputed earnings approach for determining the dilutive effect of options issued. If the imputed earnings method was utilized, fully diluted earnings per common share would have been $0.12 per share in the third quarter of 2001 and $0.06 per share for the first nine months of 2001 ($0.11 and $0.31 respectively for 2000).

Note 2: Business Acquisitions

Effective April 5, 2001, the Company acquired all of the assets of Daval Industries for $2 million pursuant to an asset purchase agreement. The purchase price was allocated $1.04 million to working capital and $0.96 million to capital assets

Note 3: Segmented Information

(Expressed in thousands of dollars)

	Three months ended		Nine months ended	
	Sept. 30, 2001	Sept. 30, 2000	**Sept. 30, 2001**	Sept. 30, 2000
	$	$	**$**	$
			Restated	
		(unaudited)		
Revenue				
Fabrication	**12,427**	12,413	**40,238**	28,915
Service	**15,334**	14,899	**44,998**	38,295
	27,761	27,312	**85,236**	67,210
Earnings before interest and income taxes				
Fabrication	**518**	714	**(3,838)**	1,461
Service	**2,085**	1,806	**5,903**	3,990
Corporate	**-**	-	**639**	-
	2,603	2,520	**2,704**	5,451
Amortization				
Fabrication	**559**	294	**1,395**	476
Service	**383**	305	**1,030**	860
Corporate	**36**	36	**99**	45
	978	635	**2,524**	1,381

	Sept. 30, 2001	Sept. 30, 2000
	$	$
	Restated	
	(unaudited)	
Assets		
Fabrication	**67,388**	54,967
Service	**56,246**	44,018
Corporate	**2,289**	1,344
	125,923	100,329

Note 4: Subsequent Events

a. On October 30, 2001, the Company amended its operating facility with its major lender from $27 million to $38 million. The operating line facility bears interest at the prime rate. Also added was a $4 million term loan with monthly installments of $77 thousand, including interest at prime plus 1/2%, maturing November 2006 (secured by a general security agreement and a mortgage covering land and buildings in Edmonton and Nisku, Alberta).

b. Effective November 2, 2001, the Company acquired all the assets of Simpson Power Products Ltd. for $4.2 million pursuant to an asset purchase agreement. The purchase price was allocated $3.3 million to working capital and $0.9 million to capital assets.