

**THE CHURCHILL CORPORATION
(TSX: CUQ)**

ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2005

March 21, 2006

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GLOSSARY OF TERMS

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Affiliate**" or "**Associate**" when used to indicate a relationship with a person or company, means the same as set forth in the *Securities Act* (Alberta);

"**Board of Directors**" or "**Board**" means the board of directors of the Company;

"**Buildings**" means Stuart Olson and its subsidiaries;

"**Common Shares**" means common shares in the capital of the Company;

"**Company**" or "**Corporation**" or "**Churchill**" or "**Issuer**" means The Churchill Corporation and, as the context requires, its wholly-owned subsidiaries;

"**Fuller Austin**" means Fuller Austin Insulation Inc.;

"**Industrial Electrical Contracting**" means Laird;

"**Industrial General Contracting**" means Triton and its subsidiaries;

"**Industrial Insulation Contracting**" means collectively, Insulation Holdings, Fuller Austin and Northern Industrial and their respective subsidiaries;

"**Insulation Holdings**" means Insulation Holdings Inc.;

"**Laird**" means Laird Electric Inc.;

"**Lakehead**" means Lakehead Insulation Inc., a subsidiary of Fuller Austin;

"**Northern Industrial**" means Northern Industrial Insulation Contractors Inc.,

"**Operating Divisions**" means the four primary operating divisions of the Company including Buildings, Industrial General Contracting, Industrial Insulation Contracting and Industrial Electrical Contracting;

"**Preferred Shares**" means preferred shares in the capital of the Company;

"**Stuart Olson**" means collectively, Stuart Olson Construction Ltd. and Stuart Olson Construction Inc. and their respective subsidiaries;

"**Triton**" means collectively, Triton Construction Inc. and Triton Projects Inc. and their respective subsidiaries; and

"**TSX**" means The Toronto Stock Exchange.

Words importing the singular number only include the plural and vice versa and words importing any gender include all genders. All dollar amounts set forth in this Annual Information Form are in Canadian dollars, except where otherwise indicated.

FORWARD-LOOKING INFORMATION

This Annual Information Form contains certain forward-looking statements relating to, but not limited to, our operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "plan" or similar words suggesting future outcomes.

Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved. By its nature, our forward-looking information involves numerous assumptions, inherent risks and uncertainties including, but not limited to, the following factors: general global economic and business conditions including the effect, if any, of a potential economic slowdown in the U.S. and/or Canada; changes in business strategies; the effects of competition and pricing pressures; shifts in market demands; changes in laws and regulations; uncertainties of litigation; labour disputes; timing of completion of capital or maintenance projects; currency and interest rate fluctuations; various events which could disrupt operations, including severe weather conditions; and technological changes. Any forward-looking statements are made as of the date hereof and the Corporation undertakes no obligation to update or revise such statements to reflect new information, subsequent or otherwise.

All initial capitalized words used in this Annual Information Form which are not otherwise defined herein have the meanings ascribed thereto in the Glossary of Terms herein.

CORPORATE STRUCTURE

General

The Churchill Corporation ("Churchill", the "Corporation", the "Company" or the "Issuer") was incorporated as Churchill Development Corporation Ltd. on August 31, 1981 under the Companies Act of Alberta and was continued under the ABCA on July 30, 1985. The name of the Corporation was changed to The Churchill Corporation by Certificate of Amendment dated July 30, 1985. On June 30, 1987, Churchill acquired A.I.L. – Alberta Investments Ltd. ("AIL"), a closed end mutual fund listed on the Alberta Stock Exchange (the "ASE"), and became a reporting issuer pursuant to an order of the Alberta Securities Commission. Churchill amalgamated with AIL on December 31, 1987 and Churchill Common Shares were listed and conditionally accepted for trading by the ASE on December 1, 1987. On December 8, 1999, Churchill Common Shares were listed for trading on the Toronto Stock Exchange (the "TSX"). On January 30, 2000 Churchill consolidated its trading onto the TSX and dropped its listing on the ASE, which was then the Canadian Venture Exchange.

The Corporation's head and registered office is located at 12836 - 146 Street, Edmonton, Alberta.

Material Amendments to the Constatng Documents

The following material amendments have been made to the articles and other constating documents of the Corporation:

- Certificate and Special Resolution filed June 28, 1985 to reorganize the Corporation's share capital to consolidate the class "A" common shares and the class "B" common shares, modify the Memorandum of Association of the Corporation, authorize the issuance of up to 110,000,000 class "A" common shares and convert all issued and outstanding class "A" common shares and all issued and outstanding class "B" common shares into class "A" common shares on a one-for-one basis.
- Certificate and Articles of Amendment filed July 30, 1985 to change the name of the Corporation from Churchill Development Corporation Ltd. to The Churchill Corporation.
- Certificate and Articles of Amalgamation filed December 31, 1987 to amalgamate The Churchill Corporation and A.I.L. – Alberta Investments Ltd.
- Amended By-laws approved by the Board and ratified by the Shareholders at the Annual and Special Meeting of Shareholders held May 19, 1999 to reduce the quorum requirement for meetings of shareholders from 30% to 10% of outstanding shares.
- Certificate and Articles of Amendment filed June 13, 2000 to:
- Change the authorized share capital of the Corporation as follows: a) change the designation of the authorized and issued "Class A Common Shares" to "Common Shares"; b) change the maximum number of Common Shares that may be issued to an unlimited number; c) cancel the authorized classes and series of preferred shares; and d) create an unlimited number of a new class of shares designated as "Preferred Shares", issuable in series;

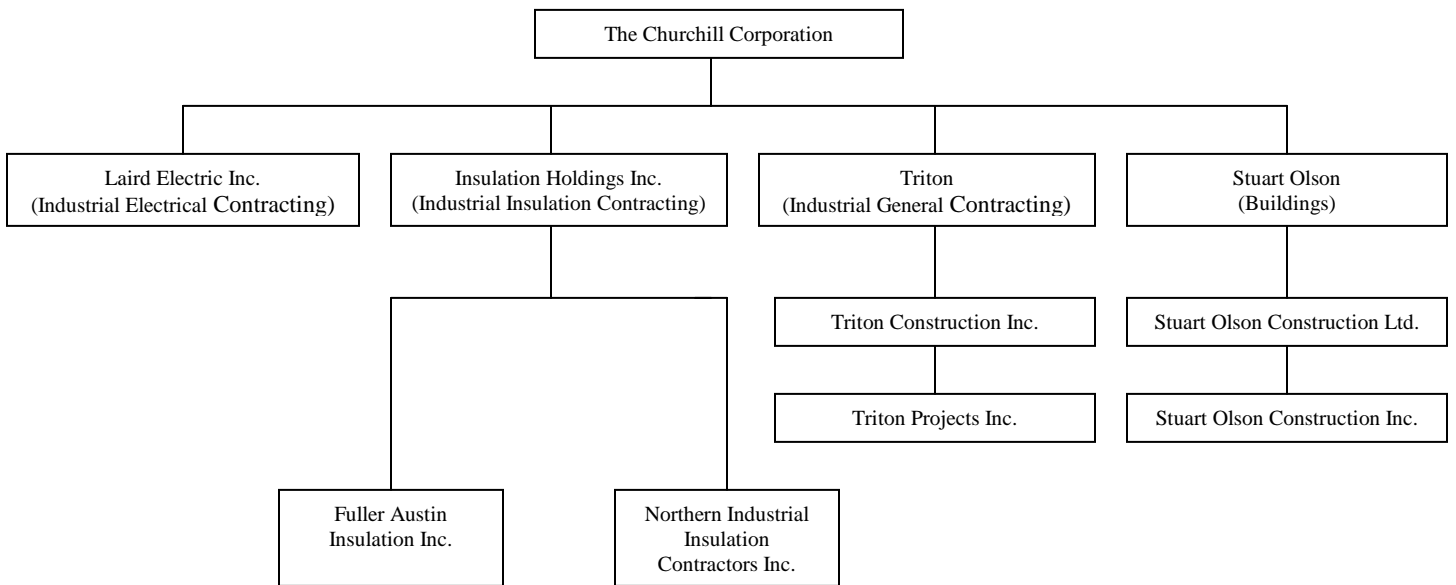
- Provide that meetings of shareholders of the Corporation may be held inside or outside of Alberta, at any place in Canada; and
- Permit the Board to appoint one or more additional directors between annual meetings, with the number of additional directors not to exceed one-third of the number of directors who held office at the expiration of the last annual meeting of the Corporation.

Intercorporate Relationships

The following table lists the principal subsidiaries of the Corporation, their jurisdiction of incorporation and the percentage of voting and non-voting shares thereof, which are owned, directly or indirectly, by the Corporation.

Name	Jurisdiction of Incorporation or Continuance	% Voting Shares	% Non-voting Shares
Stuart Olson Construction Ltd.	Alberta	100	N/A
Stuart Olson Constructors Inc.	Alberta	100	N/A
Insulation Holdings Inc.	Alberta	100	N/A
Fuller Austin Insulation Inc.	Alberta	100	N/A
Northern Industrial Insulation Contractors Inc.	Alberta	100	N/A
Triton Construction Inc.	Alberta	100	N/A
Triton Projects Inc.	Alberta	100	N/A
Laird Electric Inc.	Alberta	100	N/A

The organizational structure of the Corporation, and its principal subsidiaries outlined above, is as set forth below:



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Overview

Churchill is a corporation engaged in the construction and industrial maintenance and services business, serving the building and industrial markets, primarily in western Canada. Stuart Olson, Triton, Insulation Holdings and Laird represent the main business activity of Churchill. A brief description of each of the Operating Divisions is set out below.

Stuart Olson

Stuart Olson provides construction management, design build and general contracting services in different market sectors. The market sectors targeted by Stuart Olson include commercial buildings, food industry buildings, health care buildings, public buildings, recreational buildings, educational buildings, residential buildings, industrial buildings, and engineering structures.

Triton

Triton provides heavy-industrial general contracting, fabrication and maintenance services to the resource and industrial sectors. Triton provides the following construction services: civil works, foundations, equipment setting and assembly, electrical and instrumentation, building erection, and structural steel and piping. The fabrication services provided by Triton include structural and steel fabrication, small bore pipe fabrication, module and fabrication assembly, skid fabrication and assembly, custom fabrication services and various other value added services. Triton also provides contract maintenance services and maintenance programs specific to customer needs in the oil and gas, pulp and paper, petrochemical and power generation markets.

Insulation Holdings Inc.

Insulation Holdings operates under three primary business units, being Fuller Austin, Northern Industrial, and Lakehead, all providing insulation related contracting services for capital projects and maintenance work. Lakehead is a wholly-owned subsidiary of Fuller Austin.

Insulation Holdings provides an integrated range of insulation services, including industrial thermal and acoustic insulation, fireproofing and fire stopping, asbestos abatement, siding application and plant maintenance. Insulation Holdings primarily serves the petrochemical, oil and gas, power generation, utilities, forest products, pipeline and mining industries.

Laird

Laird provides industrial and commercial electrical, instrumentation and power-line construction and maintenance services. Laird primarily serves the resource and industrial sectors, including the oil sands, oil and gas, petrochemical and power generation markets.

Capital Program

Churchill completed a capital restructuring program during 2005 which included a short-term loan, an equity financing and a new banking facility. The Corporation finalized an arrangement for aggregate equity funding of \$10,646,000 on April 25, 2005, which arrangement was approved by the Shareholders

at the Annual Meeting on May 12, 2005. As an interim matter, prior to obtaining shareholder approval, Matco Capital Ltd., a private investment firm based in Calgary, Alberta (arm's length to Churchill), agreed to lend Churchill \$7,000,000, repayable not later than July 31, 2005. Upon obtaining shareholder approval, the loan was converted into 3,500,000 Common Shares (reflecting a conversion price of \$2.00 per share) on May 13, 2005. The balance of 1,823,000 Common Shares were subscribed for by Peter Allard at a price of \$2.00 per share (who previously owned approximately 14% of the Common Shares) on May 13, 2005.

The Corporation completed a new banking facility arrangement during 2005. This arrangement provided the Corporation with a \$7.8 million demand term loan to replace the Corporation's previous term and acquisition loans as well as to extend the repayment period. An operating line of credit of \$12.0 million was provided to replace a temporary facility arranged in June 2005 and the agreement allowed for the release of \$4.0 million of term deposits previously held as security.

The above mentioned capital restructuring program, combined with the positive earnings achieved in the year, resulted in a significant increase in the Corporation's working capital. Churchill's working capital requirements were impacted by growth in 2005 as well as financial losses in 2003 and 2004.

Acquisition of Laird Electric Inc.

On February 7, 2003, Churchill acquired all of the issued and outstanding shares of Laird, an electrical, instrumentation and power-line construction and maintenance contractor based in Fort McMurray, Alberta with expanding operations in the Edmonton, Alberta area. The \$9.7 million purchase price was comprised of \$8.5 million cash and the issuance from treasury of 826,412 Common Shares of the Corporation. In conjunction with the acquisition, the Corporation borrowed \$8.0 million by way of secured, floating-rate term debt. This acquisition is reported in the Issuer's 2003 Annual Report, which disclosure on the acquisition is incorporated herein by reference.

The purchase of Laird Electric included a refundable deposit of \$1.0 million that was recoverable by the Corporation in the event that Laird did not achieve a cumulative financial performance objective by December 31, 2005. The potential refund was secured by Common Shares of the Corporation held in escrow without further recourse. Under the escrow agreements, the vendors were required to maintain \$1.0 million in escrow either through Common Shares or equivalent cash if the Common Shares were released. At December 31, 2005, the Corporation has determined that the financial performance objective was not met by Laird, entitling the Corporation to a repayment of the refundable deposit. Pursuant to the escrow agreements, the vendors have the right to dispute management's assessment. Settlement under the escrow agreements is required no later than April 30, 2006. Under the agreements, should there be a repayment, it may be settled with cash or a return of Common Shares of the Corporation valued at the trailing 30 day trading average, which as at December 31, 2005 was \$3.21 per share.

Market Conditions

Generally, the construction industry has historically experienced significant peaks and valleys relating to regional and industry sector market opportunities. The ability to manage revenue and cost levels in geographical markets that are either declining or expanding is critical to success in the construction industry.

The Corporation's markets have improved significantly in the last three years resulting in increasing revenue growth as well as higher contract margins.

The majority of the Corporation's operations are focused in western Canada. Churchill anticipates the market will remain relatively buoyant in western Canada in 2006 reflecting high activity levels in the mining and energy sectors and the resulting high levels of capital spending in these sectors. The current shortage of skilled trades' people and project management personnel is expected to continue in 2006. In many regions of western Canada the ability to take on new work is restricted by the shortage of skilled personnel. Although construction margins have improved in 2005, competition is expected to remain at a high level. While margins have shown improvement, the shortage of skilled labour combined with the volatility relating to labour, material and equipment costs have significantly increased the risk associated with the industry's ability to execute work at the same cost and profit levels as when the work was bid. Shortage of skilled labour also increases the risk associated with quality assurance which in turn adds risk and often additional costs in executing contracts.

Senior Management Changes

During 2005, there were several major changes to Churchill's senior management. Gary Bardell stepped down in November 2004 as the President and Chief Executive Officer of the Corporation. Hank Reid, who led the Corporation through a successful twelve year period from 1991 to 2003, returned as Interim President and Chief Executive Officer. In May 2005, Norm Rokosh was appointed President and Chief Executive Officer of the Corporation. In January 2005, Ian Morris, Vice President Finance and Chief Financial Officer, left the Corporation, whereby DeEtte Mack, the Corporate Controller assumed the duties of the Chief Financial Officer on an interim basis. In June 2005, Daryl Sands was appointed Vice President Finance and Chief Financial Officer. In April 2005, Bruce Rintoul, Vice President Industrial and CEO of Triton left the Corporation. The position of Vice President Industrial was subsequently eliminated.

Fabrication Plant

Triton incurred significant losses in 2004 as a result of start-up problems in Churchill's new fabrication facility and the associated project execution. As a result, plant through-put was restricted in 2005 under a planned reduction program until systems and processes were sufficiently improved. Results to date indicate improved productivity and performance in respect of the facility however it continues to operate at a loss. Management expects to increase work volume slowly to ensure productivity and performance levels remain sufficiently high.

Special Committee of the Board

In late 2004, Churchill formed a special committee of the Board of Directors. The mandate of this special committee was to oversee the operation of the Corporation until a new senior management team was established. This mandate included a comprehensive review of the operational and control systems with respect to the industrial operations and the fabrication plant, and implementation of measures for improvement. The special committee's role also included the sourcing of new capital for the Corporation, which resulted in a private placement in May 2005. The compensation for the special committee members was over and above the fees and disbursements contemplated in their role as Directors and members of the Corporation's various standing committees. This special committee operated primarily through the first two quarters of 2005 during which time a committee member, being Mr. Reid, acted as Interim CEO.

DESCRIPTION OF THE BUSINESS

General Information

Churchill provides building construction, heavy-industrial general construction, fabrication, insulation, electrical, instrumentation, power-line construction and maintenance and related services throughout western Canada and northwestern Ontario, through wholly-owned subsidiaries.

While Churchill is active throughout western Canada and northwestern Ontario, the majority of the Corporation's business activities are in Alberta and British Columbia.

The services provided by each reportable Operating Division of the Corporation are sold directly to: clients; clients' engineers or architects; industrial general contractors; or engineering-procurement-construction ("EPC") contractors. Sales and marketing activities include: maintaining relationships with previous clients and prospecting for new opportunities through personal contact, submitting bids and proposals, and limited advertising. Churchill's operating subsidiaries have each been in business for many years. Relationships with clients, subcontractors and suppliers, contracts with clients and the goodwill associated with trade names, demonstrated project capabilities and past relationships have an impact on the business.

The sources, pricing and availability of raw materials, component parts or finished products is generally not a significant factor in any of the Corporation's reportable operating segments as the materials are generally available and any additional costs are usually passed through by contract to the Company's clients. High levels of construction activity, as presently exist in Alberta and British Columbia, has created shortages of tradesmen and management personnel as well as some material shortages. Should clients not agree to absorb additional costs associated with these shortages then contract margins could decrease.

Given the nature of the industrial construction business, the importance, duration and effect of identifiable intangible properties, such as brand names, circulation lists, copyrights, franchises, patents, software, subscription lists and trademarks, is limited for the Corporation. Similarly, expenditures on research and development activities are minor in all of Churchill's reportable Operating Divisions.

The Corporation was managed using five operating segments in 2005, as defined in the Canadian Institute of Chartered Accountants Handbook, as follows: Buildings; Industrial General Contracting; Industrial Insulation Contracting; Industrial Electrical Contracting; and Corporate and Other. The five operating segments are briefly described as follows:

- Buildings (Stuart Olson) includes the construction of commercial, institutional, light-industrial and multi-unit residential buildings.
- Industrial General Contracting (Triton) includes heavy-industrial general contracting, fabrication, site work and ongoing maintenance.
- Industrial Insulation Contracting (Fuller Austin and Northern Industrial) includes insulation, siding, fireproofing, asbestos abatement and plant maintenance services.
- Industrial Electrical Contracting (Laird) includes industrial electrical, instrumentation and power-line construction and maintenance services.

- Corporate and Other includes corporate costs not allocated directly to another business segment as well as any miscellaneous investments.

Revenue by Operating Segment

Revenue from the reportable operating segments of the Corporation is set forth in the following table:

Year Ended December 31 (\$ thousands)	2005		2004		Increase (Decrease) 2005 over 2004 (%)
	\$	%	\$	%	
Buildings	\$227,481	47	\$239,156	71	(5)
Industrial General Contracting	100,670	21	40,423	12	149
Industrial Insulation Contracting	74,634	16	41,112	12	82
Industrial Electrical Contracting	79,827	17	19,726	6	305
Corporate and Other	0	0	0	0	0
Inter-segment Adjustments	(2,792)	(1)	(5,799)	(1)	(48)
Total Contract Revenue	\$479,820	100%	\$334,618	100%	43%

The following sections of this Annual Information Form contain detailed descriptions of the business, services, markets and competitive environment of each of the reportable operating segments of the Corporation.

Buildings

General

Stuart Olson was originally founded by Mr. Stuart Olson in 1939 in Edmonton, Alberta. The Corporation purchased Stuart Olson from the Olson family in 1989. Stuart Olson has branch offices in Vancouver, Edmonton and Calgary. Stuart Olson provides general contracting, construction management and design-build services to private and public sector clients in the commercial, light-industrial and institutional sectors. Stuart Olson projects generally entail the construction, expansion or renovation of a building.

Most of the revenue generated by Stuart Olson is procured with repeat clients or through select invitational tenders, reflecting the effectiveness of its target marketing and client development. Less than 20% of Stuart Olson's revenue is generated from fixed-price bids. Stuart Olson subcontracts up to 90% of project work to subcontractors and suppliers and manages the construction process to deliver a successful project. This high degree of subcontracting reduces the capital required to operate and to grow the business.

Stuart Olson is a leader in alternative methods of project delivery, including construction management and design-build, which complement its general contracting capabilities. These methods enhance client value through increased certainty of project completion on time and on budget and can also provide a single source of responsibility. These methods of project delivery can help build long-term relationships with clients while also lowering the Corporation's risk and improving contract income margins.

Stuart Olson has expanded its participation in the larger projects market during the last five years by leveraging its large project experience. Larger projects have a longer duration, which enhances the predictability and sustainability of revenue and earnings.

Services

Stuart Olson provides: (i) construction management; (ii) design build; and (iii) general contracting services in different market sectors. Stuart Olson specializes in the construction management form of delivery which involves partnering with the client and their design team early in the development process. This is the most common form of contracting Stuart Olson undertakes, presently generating more than 80% of the company's revenue. Stuart Olson's work in this area has ranged from school projects to highrise buildings and includes both new construction and renovation. Stuart Olson also offers clients design - build construction services, whereby Stuart Olson provides both the design and the construction services for the project. And lastly, Stuart Olson also provides general contracting services, which include the provision of management, estimating, accounting, site management, staff, field workers and equipment in order to complete the project. Stuart Olson's project managers and superintendents provide the experience and expertise to manage both small and large projects from \$100,000 to \$100,000,000.

Market Sectors

Stuart Olson has significant expertise in completing projects in a wide range of sectors, including: education; recreation; multi-unit residential; retail; hospitality; high technology office, biotechnology and laboratory facilities; food processing and distribution facilities; office buildings; healthcare and seniors' care; light-industrial; and public sector construction management. This project and market diversity enhances the predictability and sustainability of revenue.

Competition

The building construction market is highly competitive with relatively low barriers to entry. Stuart Olson has several capable and well-established competitors. Stuart Olson is one of the three largest building contractors in Alberta and British Columbia and has maintained market share. Competitive factors include: price and approach to project execution; relevant project experience; client relationships; quality of service; record in completing similar projects on time and on budget; subcontractor relationships; strength of project team; and performance bonding capability and financial strength.

Seasonality

Stuart Olson's business is not particularly seasonal due to the larger size of their projects, although working conditions and productivity can be impacted by weather conditions during the winter months.

Industrial General Contracting

General

Triton provides heavy-industrial general construction contracting, fabrication and maintenance services to the resource and industrial sectors. Triton has been in business since 1953 and was acquired by the Corporation in 1990. Triton is active primarily in Alberta, although it also has project experience in Saskatchewan and British Columbia. Triton is one of the largest open-shop mechanical contractors in its region.

Triton is based in Edmonton, Alberta with branch offices in Fort McMurray and Bonnyville, Alberta. The company has fabrication facilities in Bonnyville and Lamont, Alberta.

Services

Triton provides the following construction services: civil works, foundations, equipment setting and assembly, electrical and instrumentation, building erection, and structural steel and piping. The fabrication services provided by Triton include structural and steel fabrication, small bore pipe fabrication, module and fabrication assembly, skid fabrication and assembly, custom fabrication services and various other value added services. Triton also provides contract maintenance services and maintenance programs specific to customer needs in the oil and gas, pulp and paper, petrochemical and power generation markets. In addition to the above, Triton has significant experience in dismantling and relocating existing facilities plus well-site abatement and restoration, in addition to new construction.

Market Sectors

Triton's clients are primarily in the oil and gas, petrochemical, power, mining and forest products industries. Triton also has a base of recurring revenue from providing maintenance services to clients in the expanding heavy oil sectors of Alberta.

Competition

Triton has several large and capable competitors in each of its geographic markets and areas of service. Competitive factors in this area of service include: price and approach to project execution; relationships with clients and client representatives; scope of service capabilities; quality of service; record in completing similar projects on time and on budget; safety programs and record; performance bonding capability and financial strength; relevant project experience; and available capacity in competitors' fabrication facilities.

Seasonality

The volume of Triton's work on new capital projects tends to be somewhat seasonal with slower activity in the first two calendar quarters. Plant maintenance activity tends to be more consistent throughout the year.

Industrial Insulation Contracting

General

Insulation Holdings was incorporated as a wholly-owned subsidiary of the Corporation to provide industrial insulation services. Insulation Holdings has two wholly-owned subsidiaries, being Fuller

Austin and Northern Industrial. Fuller Austin has been in business since 1961, Northern Industrial since 1988. Fuller Austin and Northern Industrial were acquired by Insulation Holdings in 1988. Fuller Austin serves the building-trades union market and Northern Industrial serves the open-shop market. These companies each provide an integrated range of services, including industrial thermal and acoustic insulation, fireproofing and fire stopping, asbestos abatement, siding application and plant maintenance. The companies primarily serve the petrochemical, oil and gas, power generation, utilities, forest products, pipeline and mining industries.

With offices in Edmonton, Fort McMurray and Bonnyville, Alberta; Regina, Saskatchewan and Thunder Bay, Ontario, the insulation businesses are well positioned to serve clients from British Columbia to northwestern Ontario.

In 2002, Fuller Austin acquired Lakehead, an insulation contractor based in Thunder Bay and well established in the forest products insulation market. In 2004, Fuller Austin opened a small office in Ancaster, Ontario. This office was subsequently closed down in 2005 due to a lack of project opportunities. Fuller Austin is one of the largest industrial insulation and related service contractors in Canada.

Fuller Austin and Northern Industrial are positioned to benefit from the trend of industrial clients to outsource maintenance services to preferred contractors.

Services

Both Fuller Austin and Northern Industrial provide the following construction services: mechanical insulation installation, industrial metal siding and cladding, and asbestos abatement. Installation of mechanical insulation can involve a variety of piping systems and sizes, all operating under differing conditions and in differing environments within the same facility. Other insulated components often include: vessels, equipment, tanks, boilers, ductwork, precipitators, stacks, etc. The companies utilizes an extensive selection of insulation products and cladding types designed to service thermal, cryogenic, acoustical and production purposes. The siding services provided encompass new and retrofit siding applications in the industrial sector. The companies supply and install claddings of all types (insulated, lined or single skinned construction systems). Asbestos abatement services include asbestos removal, encapsulation, emergency response, as well as monitoring and testing.

Market Sector

Fuller Austin and Northern Industrial serve clients in a wide range of industrial services in the petrochemical, refinery, pulp and paper and power generation industries.

Competition

Fuller Austin and Northern Industrial have several large and capable competitors in each of their geographic markets and areas of service. The companies provide a more comprehensive range of services than most of their competitors, which enables them to deliver a single-source solution to clients. The competitive factors affecting the businesses include: price and approach to project execution; relationships with clients and client representatives; scope of service capabilities; quality of service; record in completing similar projects on time and on budget; safety programs and record; performance bonding capability and financial strength; and relevant project experience.

Seasonality

Although work conditions and productivity are impacted by weather conditions, the volume of insulation business activity for new capital projects is not particularly seasonal in nature although activity in the first calendar quarter tends to be the lowest. Plant maintenance activity is strongest during the second and fourth calendar quarters.

Industrial Electrical Contracting

General

Laird has been in business since 1962 and was acquired by Churchill in February 2003. Laird is based in Fort McMurray, Alberta and has a branch office in Edmonton, Alberta. Laird provides industrial and commercial electrical, instrumentation and power-line construction and maintenance services. Laird primarily serves the resource and industrial sectors, including the oil sands, oil and gas, petrochemical and power generation markets.

Services

Laird has a competitive advantage as an electrical contractor in that it also provides power-line installation and instrumentation services in addition to electrical construction. This multi-faceted approach allows Laird to gain early access to new projects by providing the initial power service; continuing with the electrical installation during the construction phase; and then following with the ongoing instrumentation and control calibration after project completion.

Market Sector

Laird provides electrical contracting services to clients in the petrochemical and power generation industries. In particular, Laird is active in the Ft. McMurray oil sands construction and maintenance market. Laird's clients include engineering firms and prime contractors as well as industrial owners.

Competition

Laird has several large and capable competitors in the union electrical, instrumentation and power-line construction and maintenance area. Laird is one of the three largest union electrical contractors in the Fort McMurray and Edmonton areas. Laird provides a broader range of complementary services than most of its competitors. The competitive factors effecting Laird include: price and approach to project execution; management information and cost management systems; client relationships; scope of service capabilities; quality of service; record in completing similar projects on time and on budget; safety programs and record; performance bonding capability and financial strength; owner's preference for union versus non-union workforce; and relevant project experience.

Seasonality

Although field conditions and productivity are impacted by weather conditions, the volume of electrical construction activity is not particularly seasonal for new capital projects. Electrical maintenance activities are generally greater during the second quarter of the year.

Environmental Protection

Churchill and its subsidiaries are subject to federal, provincial and municipal environmental legislation and regulations in its construction and maintenance operations. Churchill recognizes it must conduct its business in a manner that protects and preserves the environment and complies with applicable legislation and regulation. Churchill and its subsidiaries have training programs, policies and procedures, as well as compliance procedures, to proactively manage environmental issues and comply with applicable legislation, regulations and conditions of permits and approvals.

The financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive positions of Churchill and its reportable operating segments are not expected to be material in the current financial year or in future years.

Churchill management believes the operations of the Corporation are in substantial compliance with all material federal, provincial and municipal laws and regulations as they relate to the environment.

Employees

Churchill and its subsidiaries had 300 full-time salaried employees on December 31, 2005. Its operating subsidiaries also employ additional construction personnel on an hourly basis, which vary within a range of 200 to 2,000 people depending on the number, size and stage of active projects. On December 31, 2005, Churchill and its subsidiaries employed 1,113 personnel on an hourly basis.

Risk Factors

Financial Resources

Churchill's industrial operations require a significant amount of working capital due to a large manpower workforce on projects. The Corporation's ability to obtain additional capital is a significant factor in achieving its strategy of expansion in the industrial market. There can be no assurance that the current working capital of the Corporation will be sufficient to enable the Corporation to implement all of its objectives. There can be no assurance that, if, as and when the Corporation seeks equity or debt financing, the Corporation will be able to obtain additional financial resources required to successfully compete in its markets on favourable commercial terms or at all. Any such future financing may also result in additional dilution to existing shareholders.

Triton - Reduced Fabrication Plant Production

Triton incurred significant losses in 2004, primarily as a result of start-up problems in the fabrication facility and the associated project execution. As a result, plant through-put was restricted in 2005 under a planned reduction program until systems and processes were sufficiently improved. Results to date indicate improved productivity and performance in respect of the facility however it continues to operate at a restricted level. Management expects to increase work volume slowly to ensure productivity and performance levels remain sufficiently high. Should the plant operate significantly below capacity for an extended period, then revenue may be insufficient to cover fixed overhead costs, thus creating an operating loss.

Surety Bonds

Churchill's operating companies are often required to provide performance bonds as assurance against contract completion. As a result of the recent worldwide reduction in surety and reinsurance capacity, the Corporation is continually monitoring the bonding and surety market. The agreement with the Corporation's surety company is renewed periodically. Should any revision to the agreement result in a reduction in bonding capacity, then this could limit growth and potentially adversely effect on-going operations.

Labour Shortages and Material Prices

Periods of high construction activity can create shortages of labour and material. With the rapidly expanding market in Alberta, general shortages of tradesmen and management personnel are occurring and this condition is expected to continue for several years. Churchill's operating companies have attempted to mitigate the situation through competitive remuneration, enhanced in-house training programs and expanded recruiting, both within Canada and internationally. These shortages may cause limits on the growth of the Corporation's businesses and could potentially affect contract margins. Also, labour and material shortages may lead to construction cost escalation which could decrease contract margins should clients not agree to absorb these additional costs. Any increase in the price of building and construction materials could have a material adverse effect on market demand and on the Corporation's growth and profitability.

Limited Geographic Scope of Operations

Churchill's operations are centered in, and primarily focused on, western Canada. The majority of construction in western Canada, particularly industrial construction, is either directly or indirectly connected to the exploration, development and production of oil and gas. Oil and gas pricing and activity levels are directly impacted by worldwide events. The Corporation monitors this information to assist in managing various mid-term aspects of its business. Significant downward movement in oil or gas commodity prices could lead to project delays or cancellations, while significant upward movement could lead to clients seeking to accelerate their project schedule. Either movement could put pressure on the Corporation's organizational infrastructure in the short term.

Weather

The climate in western Canada can generate severe weather, which could slow down or delay construction for short periods of time, impacting costs and delivery schedules.

Competition

There is strong competition relating to all aspects of the construction industry. The Corporation competes with many other firms, of which some have greater financial and other resources.

Third Party Delays

Permitting, engineering and design in the preconstruction phase can lead to a project delay. These delays are generally third party generated and thus outside the Corporation's control. The major cost associated with these delays is personnel and associated overhead that is designated for the project and cannot be reallocated effectively to other work.

Design- Build Risk

The operating companies occasionally participate in design-build projects whereby they assume the additional risk of design-related flaws or failures. This risk is reduced by utilizing external consultants for the design component as well as by the purchase of appropriate insurance protection. Design remediation work could result in additional contract costs that may not be reimbursed by the client.

Reliance on Suppliers and Subcontractors

The Corporation relies on third party suppliers and subcontractors. The loss of, or inability to maintain, any of these relationships, or the failure of such third parties to execute or effectively manage their own business plans and deliver on their contractual commitments can have a material adverse effect on the Corporation's business, operating results and financial condition.

Other

Other risks to the Corporation and its operating segments include: estimating, procurement and project execution cost overruns. These risks are inherent in the construction business and are generally mitigated through Churchill's normal business policies and procedures.

DIVIDENDS

The only restrictions on the Corporation paying dividends are the financial capacity and solvency tests under the ABCA, and the covenants under its borrowing agreements. No dividends have been declared in the three most recently completed financial years.

The Corporation's current policy is not to pay dividends. Net earnings are being invested by the Corporation in operations and in growth opportunities.

CAPITAL STRUCTURE

General Description of Share Capital

The Corporation is authorized to issue an unlimited number of shares designated as Common Shares and an unlimited number of shares designated as Preferred Shares.

Common Shares

The Common Shares have attached to them the rights, privileges, restrictions and conditions as hereinafter set forth:

- (a) Except for meetings at which only holders of another specified class or series of shares of the Corporation are entitled to vote separately as a class or series, each holder of a Common Share is entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Corporation.
- (b) Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, the holders of the Common Shares are entitled to receive dividends if, as and when declared by the Directors of the Corporation.

- (c) Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, the holders of the Common Shares are entitled to share equally in the remaining property of the Corporation upon liquidation, dissolution or winding-up of the Corporation.

Preferred Shares

The Preferred Shares shall have attached to them, as a class, the rights, privileges, restrictions and conditions as hereinafter set forth:

- (a) The Preferred Shares may from time to time be issued in one or more series and, subject to the following provisions, and subject to the sending of articles of amendment in prescribed form and the issuance of a certificate of amendment in respect thereof, the Directors may fix from time to time and before issue of a series of Preferred Shares, the number of shares which are to comprise that series and the designation, rights, privileges, restrictions and conditions to be attached to that series of Preferred Shares including, without limiting the generality of the foregoing, the rate or amount of dividends or the method of calculating dividends, the dates of payment of dividends, the redemption, purchase and/or conversion prices and terms and conditions of redemption, purchase and/or conversion, and any sinking fund or other provisions.
- (b) The Preferred Shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, rank on a parity with the Preferred Shares of every other series and be entitled to preference over the Common Shares and over any other shares of the Corporation ranking junior to the Preferred Shares. The Preferred Shares of any series may also be given other preferences, not inconsistent with these articles, over the Common Shares and any other shares of the Corporation ranking junior to the Preferred Shares of a series as may be fixed in accordance with (a) above.
- (c) If any cumulative dividends or amounts payable on the return of capital in respect of a series of Preferred Shares are not paid in full, all series of Preferred Shares shall participate rateably in respect of accumulated dividends and return of capital.
- (d) Unless the Directors otherwise determine in the articles of amendment designating a series of Preferred Shares, the holder of each share of a series of Preferred Shares shall not, as such, be entitled to receive notice of or vote at any meeting of shareholders, except as otherwise specifically provided in the ABCA.

2005 Private Equity Placement

The Corporation finalized an arrangement for aggregate equity funding of \$10,646,000 on April 25, 2005, which arrangement was approved by the Shareholders at the Annual Meeting on May 12, 2005. As an interim matter, prior to obtaining shareholder approval, Matco Capital Ltd., a private investment firm based in Calgary, Alberta (arm's length to Churchill), agreed to lend Churchill \$7,000,000, repayable not later than July 31, 2005. Upon obtaining shareholder approval, the loan was converted into 3,500,000 Common Shares (reflecting a conversion price of \$2.00 per share) on May 13, 2005. The balance of 1,823,000 Common Shares were subscribed for by Peter Allard at a price of \$2.00 per share (who

previously owned approximately 14% of the Common Shares) on May 13, 2005. The terms of the financing agreements provide each of Matco and Mr. Allard with the right to acquire up to 20% of any issuance by Churchill of Common Shares or securities convertible into Common Shares (other than Common Shares issuable on exercise of stock options) for a period of five years provided that Churchill remains a reporting issuer in at least one province of Canada.

MARKET FOR SECURITIES

The Common Shares of the Corporation are listed and posted for trading on the TSX under the stock market symbol "CUQ". The following are the price ranges as well as the total monthly volume for the Common Shares during 2005:

Month	High	Low	Total Monthly Volume
Dec-05	3.20	2.85	108,348
Nov-05	3.35	3.15	510,276
Oct-05	3.50	3.15	121,775
Sep-05	3.30	2.70	247,678
Aug-05	3.39	2.60	372,633
Jul-05	2.75	2.45	118,784
Jun-05	2.70	2.55	243,342
May-05	2.70	2.36	142,177
Apr-05	2.70	2.00	272,766
Mar-05	2.45	2.10	127,181
Feb-05	2.32	2.00	109,566
Jan-05	2.45	1.86	257,674

Prior Sales

During the financial year ended December 31, 2005, the Corporation issued an aggregate of 5,323,000 Common Shares as follows:

Date	Number of Poseidon Shares	Issue Price Per Share	Aggregate Issue Price	Consideration Received
May 13, 2005	3,500,000 ⁽¹⁾	\$2.00	\$7,000,000	Conversion of Loan
May 13, 2005	1,823,000	\$2.00	\$3,646,000	Cash
Total	5,323,000		\$10,646,000	

Note:

(1) These 3,500,000 Common Shares were issued to Matco Capital Ltd. on conversion of a short-term loan in the aggregate amount of \$7,000,000.

ESCROWED SECURITIES

The following table sets out the Common Shares of the Corporation which were subject to escrow as at December 31, 2005:

Designation of Class	Number of Shares held in Escrow	Percentage of Class
Common Shares	311,527 ⁽¹⁾	1.7%

Note:

- (1) The escrow agent for the above escrowed shares is Duncan & Craig LLP, Barristers and Solicitors. The Common Shares have been held in escrow since February 7, 2003 and relate to the acquisition by the Corporation of Laird. The purchase of Laird, which was completed in 2003, included a refundable deposit of \$1.0 million that was recoverable by the Corporation in the event that Laird did not achieve a cumulative financial performance objective by December 31, 2005. The potential refund was secured by shares of the Corporation held in escrow without further recourse. Under the escrow agreements the vendors were required to maintain \$1.0 million in escrow either through shares or equivalent cash if shares were released. At December 31, 2005, the Corporation has determined that the financial performance objective was not met, thereby entitling the Corporation to a repayment of the refundable deposit. Pursuant to the escrow agreements, the vendors have the right to dispute management's assessment. Settlement under the escrow agreements is required no later than April 30, 2006. Under the agreements, should there be a repayment, it may be settled with cash or a return of shares of the Corporation valued at the trailing 30 day trading average, which at December 31, 2005 was \$3.21 per share.

DIRECTORS AND OFFICERS

Name, Occupation and Period of Service

The names, municipalities of residence, position with the Corporation, principal occupation, period of service as a member of the Board and membership in Board committees as at the date hereof are set forth in the following table. Each Director will hold office until the next annual meeting of shareholders or until a successor is elected or appointed.

Name and Municipality of Residence	Position with Corporation	Principal Occupation	Service as a Director since
Dr. Peter F. Adams, Ph.D., P.Eng. Edmonton, Alberta ⁽¹⁾⁽²⁾⁽³⁾	Chairman and Director	Retired, former President, Canadian Petroleum Institute	May 20, 1993
Brian W. L. Tod, B.A., LL.B., Q.C. Edmonton, Alberta ⁽³⁾	Deputy Chairman and Director	Partner, Miller Thomson LLP	May 20, 1993
Stanton K. Hooper, C.E.T. Edmonton, Alberta ⁽²⁾	Director	President, Stanton Developments Ltd.	November 28, 1990
Harry A. King, B.A., CA Vancouver, British Columbia ⁽¹⁾	Director	President, Harking Investments Ltd.	August 13, 1997
Kim D. McInnes, B.A., M.U.D. Toronto, Ontario ⁽³⁾	Director	Executive Vice President and Chief Operating Officer, Ivanhoe Cambridge	May 15, 2002
Henry R. Reid, MBA, P.Eng. Gabriola Island, British Columbia ⁽¹⁾	Director	Retired, former President and Chief Executive Officer, The Churchill Corporation	February 19, 1991
J. Norman Rokosh, MBA, P.Eng. Edmonton, Alberta	Director	President and Chief Executive Officer, The Churchill Corporation	November 28, 2005
Winston D. Stothert, M.A.Sc., P.Eng. Vancouver, British Columbia ⁽²⁾	Director	Chairman, Stothert Power Corporation	May 17, 1995

Notes:

- (1) Indicates member of the Audit Committee.
 (2) Indicates member of the Corporate Governance, Nominating and Risk Management Committee.

(3) Indicates member of the Human Resources and Compensation Committee.

Each of the Directors of the Corporation has been engaged for more than five years in his present principal occupation or in other capacities with the company or organization (or predecessors thereof) in which he currently holds his principal occupation with the exception of: Mr. Henry R. Reid, who was previously President and Chief Executive Officer of the Corporation from 1990 until October 1, 2002, at which time he acted as a consultant to the Corporation until his subsequent retirement in March 2003. In November 2004, Mr. Reid returned to Churchill as Interim President and Chief Executive Officer and held that position until May 12, 2005. He has been a member of the Board of Directors continuously from February 19, 1991 to the present. Mr. J. Norman Rokosh assumed the position of President and Chief Executive Officer of the Corporation on May 13, 2005. Prior to that, he was the President and Chief Executive Officer of Analytical Surveys Inc.

Executive Officers

The following table sets forth the names, municipality of residence and position with the Corporation of each person who is an Executive Officer of Churchill as at the date hereof:

<u>Name and Municipality of Residence</u>	<u>Position with Corporation</u>
J. Norman Rokosh, MBA, P.Eng., Edmonton, Alberta	President and Chief Executive Officer
Daryl Sands, B. Comm., CA. Edmonton, Alberta	Vice President Finance and Chief Financial Officer
Allen W. Stowkowy, B.Sc., P.Eng. Calgary, Alberta	President, Stuart Olson Construction
Ronald L. Martineau Edmonton, Alberta	President, Insulation Holdings
Danny C. Daoust, B.Sc., MBA Edmonton, Alberta	President, Triton
George Schneider Fort McMurray, Alberta	President, Laird Electric

Each of the Executive Officers of the Corporation has held other principal occupations during the last five years, as follows:

Mr. J. Norman Rokosh, who was the President and Chief Executive Officer of Analytical Surveys Inc.; he joined Churchill in May 2005.

Mr. Daryl Sands, who held various positions at PricewaterhouseCoopers including Partner and Senior Vice President; he joined Churchill in June 2005.

Mr. Allen W. Stowkowy, who was Senior Vice President, Stuart Olson Construction from 1997 through 2002 when he became President and Chief Operating Officer of Stuart Olson Construction.

Mr. Ronald L. Martineau, who was President and Chief Operating Officer of Northern Industrial Insulation Contractors Inc. from 1998 to 2001 when he became President of Insulation Holdings.

Mr. Danny C. Daoust, who held the position of Executive Vice President of National Construction Group Inc. from 2001; he joined Churchill in February 2004.

Mr. George Schneider has held the position of President of Laird Electric since 1996; Laird was acquired by Churchill in 2003.

The Directors and Executive Officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 1,571,460 Common Shares, or approximately 8.8% of the issued and outstanding Common Shares of the Corporation as at December 31, 2005. This is the only class of voting securities issued by the Corporation.

Corporate Cease Trade Orders or Bankruptcies

Except as set forth below, to the knowledge of management of the Corporation, no Director or Executive Officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, is, or within the 10 years before the date of this Annual Information Form, has been, a Director or Officer of any company (including Churchill) that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (b) was subject to an event that resulted, after the Director or Executive Officer ceased to be a Director or Executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except:

Mr. Danny Daoust, President of Triton Construction Inc., was an officer of National Construction Inc. prior to his leaving the company in July 2003. National Construction Inc. was subject to a cease trade order by the TSX from July 23, 2003 to November 24, 2003 due to the company's delay in filing its year-end annual filings. The company completed a financial restructuring, submitted its filings and subsequently resumed trading.

Penalties or Sanctions

To the knowledge of management of the Corporation, no Director or Executive Officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, or has entered into a settlement agreement with a securities regulatory authority; or

- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of management of the Corporation, no Director or Executive Officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to, or instituted, any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Director, Executive Officer or shareholder.

Conflicts of Interest

Certain Directors and Officers of the Corporation and its subsidiaries are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate legislation, Directors who have a material interest or any person who is a party to a material contract, or a proposed material contract, with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the Directors are required to act honestly and in good faith with a view to the best interests of the Corporation. Some of the Directors of the Corporation have either other employment or other business or time restrictions placed on them and accordingly, these Directors of the Corporation will only be able to devote part of their time to the affairs of the Corporation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Corporation incurred legal fees during the three most recently completed financial years with a law firm for which Mr. Tod, a director of the Corporation, is also a partner of the firm. The legal fees were for services rendered in the ordinary course of business. The amounts paid during the last three financial years were \$333,000 (2003), \$194,000 (2004) and \$183,000 (2005). During 2005, the Corporation incurred commission fees of \$14,000 for services related to the disposition of a property held for sale with a company for which Mr. Hooper, a director of the Corporation is also the owner of the company.

TRANSFER AGENTS AND REGISTRARS

CIBC Mellon Trust Company is the transfer agent and registrar of the Common Shares of the Corporation. CIBC Mellon Trust Company's contact information is as follows:

CIBC Mellon Trust Company
600 The Dome Tower, 333 – 7th Avenue S.W.
Calgary, Alberta T2P 2Z1
Telephone: (403) 232-2400
Fax: (403) 264-2100
Email: inquiriesA@CIBCmellon.ca
Website: www.cibcmellon.ca
Answerline: 1-800-387-0825
Contact: Cathy Sargeant cathy_sargeant@CIBCmellon.ca

LEGAL PROCEEDINGS

There are no legal proceedings material to the Corporation to which the Corporation is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Corporation to be contemplated.

MATERIAL CONTRACTS

Other than contracts which were entered into in the ordinary course of business, the Corporation has entered into the following material contracts during the most recently completed financial year ended December 31, 2005 or before the most recently completed financial year but that are still in effect:

1. The Subscription for Convertible Debentures dated April 25, 2005 between Matco Capital Ltd. and Churchill, the material terms of which are disclosed in "2005 Private Equity Placement".
2. The Subscription for Common Shares dated April 25, 2005 between Peter Allard and Churchill, the material terms of which are disclosed in "2005 Private Equity Placement".
3. The Amended and Restated Shareholder Rights Plan Agreement between Churchill and CIBC Mellon Trust Company amended and restated December 13, 1999 and further amended April 2, 2004, providing for the implementation of a shareholder rights plan which expires, unless extended upon approval of shareholders and the Toronto Stock Exchange, on September 30, 2007.
4. The Purchase Price Adjustment Agreements dated January 1, 2003 between George Schneider, Holly Schneider and Churchill and Randy Nordick and Holly Nordick and Churchill, respectively, providing for adjustment in the purchase price of Laird, the material terms of which are described in "Escrowed Securities".

AUDIT COMMITTEE INFORMATION

Pursuant to Multilateral Instrument 52-110 *Audit Committees* ("MI 52-110"), the Corporation is required to disclose its audit committee practices, as summarized below.

Audit Committee Charter

The responsibilities and duties of the Committee are set out in the Committee's Terms of Reference, the text of which is set forth in Schedule A to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee of the Corporation is composed of the following three members: Harry A. King (Chair), Henry R. Reid and Peter F. Adams.

The Board of Directors believes that the composition of the Audit Committee reflects a high level of financial literacy and expertise. Each member of the Audit Committee has been determined by the Board to be "independent" and "financially literate" as such terms are defined under Canadian securities guidelines and regulations. The Board has made these determinations based on the education and breadth and depth of experience of each member of the Committee.

Relevant Education and Experience of Audit Committee Members

The following is a description of the education and experience of each member that is relevant to the performance of their responsibilities in that role:

Mr. King is Chairman of the Audit Committee. He is a Chartered Accountant, now retired, and is also a Director of Cogeco Cable Inc., a public company, where he is a member of its Audit Committee. Prior to his retirement, he was Vice President, Administration and Corporate Secretary of Continental Lime Ltd. where he was actively involved in tax, legal and administrative functions. He has extensive experience with public accounting firms, having worked for Peat Marwick Mitchell (now KPMG) and Arthur Andersen. As well, Mr. King has considerable tax experience having worked for Revenue Canada for six years.

Mr. Reid holds an MBA degree with emphasis on finance and accounting. As well, he is a Professional Engineer which provides him with the technical expertise in construction to assess the various accounting estimates relevant to the business. Mr. Reid was the former President and CEO of Churchill for 12 years and during that time was involved in all aspects of control and financial reporting, audit and the preparation of the Annual Report. Prior to that time he held positions as the President of a large construction company and Controller of a construction and real estate company, during which time he gained considerable knowledge in the accounting and audit processes of construction companies.

Dr. Adams holds a Ph.D in engineering which provides him with the technical expertise in construction to assess the various accounting estimates relevant to the business. Prior to his retirement, he was the President of the Canadian Petroleum Institute for 12 years during which he was responsible for the preparation of budgets and the active supervision of financial statements, financial reporting systems and interaction with external auditors. He performed similar roles as the President of the Centre for Frontier Engineering for 5 years and the President of the Technical University of Nova Scotia for 3 years. Dr. Adams has been a Director of Churchill since 1993, during which time he has gained significant knowledge of the Corporation's financial affairs.

Reliance on Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of MI 52-110 (*de Minimis* Non-audit Services), an exemption in Section 3.2 of MI 52-110 (Initial Public Offerings), an exemption in Section 3.4 of MI 52-110 (Events outside Control of Members), an exemption in Section 3.5 of MI 52-110 (Death, Disability or Resignation of Audit Committee Member) or an exemption from MI 52-110, in whole or in part, granted under Part 8 of MI 52-110.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy for the engagement of non-audit services of the External Auditors' firm. The text of the policy is included in Schedule B of this Annual Information Form.

External Auditor Service Fees

Aggregate fees (\$ thousand) billed by the External Auditor during the fiscal years ended December 31, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Audit Fees	312	233
Audit-Related Fees (1)	106	10
Tax Fees (2)	84	123
<u>All Other Fees (3)</u>	<u>8</u>	<u>4</u>
Total	510	370

Notes:

- (1) Audit-related fees in 2005 relate primarily to the initial audit set-up and analysis of the new fabrication facility. The balance in 2005 and all of 2004 relate to attendance at interim quarterly audit committee meetings.
- (2) Tax fees relate to advice provided on tax compliance and tax planning.
- (3) All other fees relate to acquisition adjustment advice in 2004 and disclosure controls and accounting for proposed compensation plans in 2005.

ADDITIONAL INFORMATION

Additional information, including Directors' and Officers' remuneration and indebtedness, principal holders of Churchill's securities and securities authorized for issuance under equity compensation plans is contained in Churchill's Management Information Circular and Proxy Statement for its most recent annual meeting of shareholders. Additional financial information is provided in Churchill's Consolidated Financial Statements and Management's Discussion and Analysis for the financial year ended December 31, 2005, which are included in Churchill's 2005 Annual Report.

Copies of the foregoing documents, as well as the Corporation's Quarterly and Annual Reports incorporating the quarterly and annual comparative financial statements and Management's Discussion and Analysis for its financial years ended December 31, 2003, 2004 and 2005 and this Annual Information Form and any document, incorporated by reference in this Annual Information Form may be obtained by accessing SEDAR, the electronic system recording Canadian public securities filings, at www.sedar.com.

SCHEDULE A

THE AUDIT COMMITTEE: TERMS OF REFERENCE

Purpose

The Audit Committee approves, monitors, evaluates, advises or makes recommendations on matters affecting the external audit, the financial reporting and accounting control, and the disclosure policies and practices of the Corporation. The Audit Committee (the "Committee") assists the Board of Directors (the "Board") in fulfilling its oversight responsibilities by reviewing:

1. The financial information that will be provided to the shareholders and others; including the quarterly financial statements and any other material financial information; the annual audited financial statements and the Management's Discussion and Analysis section of the Annual Report prior to review and approval by the Board;
2. The systems of internal controls that management and the Board have established;
3. In consultation with the Governance, Nominating and Risk Management Committee, the *Policy Regarding Disclosure and Confidentiality* (the "Disclosure Policy") and associated disclosure procedures of the Corporation;
4. All audit processes, including the terms of engagement of the Corporation's external auditors (the "Auditor") and the audit plan;
5. The Directors' indemnification and insurance programs; and
6. The financial reporting, information systems and risk management processes of the Corporation.

Composition and Operations

7. The Committee shall be composed and operate in accordance with the *Standing Committees of the Board General Terms of Reference*.
8. The Committee shall be comprised exclusively of independent Directors. All members must be financially literate. The terms "independent" and "financially literate" will be interpreted as outlined in the guidelines of the Canadian Securities Administrators (the "CSA Guidelines") and under the rules of the Toronto Stock Exchange ("TSX").
9. The Committee shall meet at least four times each year.
10. The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") would be expected to be available to attend meetings or portions thereof.
11. The Auditor shall meet at least twice annually with the Committee and would be expected to be available to attend meetings or portions thereof as requested by the Committee and to be heard at those meetings on matters relating to the Auditor's duties.
12. The Committee shall meet periodically, and at least annually, with the Auditor without management being present.

13. The Committee shall meet with the Auditor, as it deems appropriate to consider any matters of concern that the Auditor determines should be brought to the attention of the Board or shareholders.
14. The Committee has access to the Corporation's senior management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.
15. The Committee provides open avenues of communication amongst management (particularly the CFO), employees, external and internal auditors and the Board. In particular any person may provide to the Committee his concerns or complaints regarding accounting, internal accounting controls and auditing matters. The Corporation has a *Policy Regarding Whistleblowing* which outlines a formal procedure to be followed.

Duties and Responsibilities

Subject to the powers and duties of the Board, the Committee will perform the following duties:

1. Financial Statements and Other Financial Information

The Committee will review and recommend for approval to the Board, financial information that will be made publicly available. This includes:

- (a) The Corporation's annual financial statements and MD&A;
- (b) The Corporation's quarterly financial statements and press releases;
- (c) The financial content of the Annual Report and any reports required by government or regulatory authorities;
- (d) The Annual Information Form and any prospectus/private placement memoranda; and
- (e) Any management report that accompanies published financial statements (to the extent such a report discusses the financial position or operating results) for consistency of disclosure with the financial statements themselves.

2. Financial Reporting

The Committee shall review and discuss:

- (a) The appropriateness of accounting policies and financial reporting practices used by the Corporation;
- (b) Any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;
- (c) Any new or pending developments in accounting and reporting standards that may affect the Corporation; and
- (d) Management's key estimates and judgements that may be material to financial reporting.

3. Financial Risk Management, Internal Control and Information Systems

The Committee will review and obtain reasonable assurance that the financial risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

- (a) Reviewing the Corporation's financial risk management controls and policies;
- (b) Obtaining reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with, and reports from, management, the Auditor and, if applicable, the Internal Auditor;
- (c) Reviewing management's plans to implement and maintain appropriate internal control procedures including a review of policies;
- (d) Reviewing the adequacy of security of information, information systems and recovery plans;
- (e) Monitoring compliance with statutory and regulatory obligations;
- (f) Reviewing the appointment of the CFO; and
- (g) Reviewing the adequacy of accounting and finance resources.

4. Disclosure

In consultation with the Governance, Nominating and Risk Management Committee, the Committee will review the Disclosure Policy and procedures of the Corporation and obtain reasonable assurance that they are effective in meeting the requirements of applicable legislation and regulatory agencies. This includes:

- (a) Reviewing the Corporation's Policy Regarding Disclosure and Confidentiality (the "Disclosure Policy");
- (b) Monitoring compliance with the Disclosure Policy, particularly as it relates to the disclosure of financial related matters; and
- (c) Receiving and reviewing reports from the Disclosure Committee related to financial matters.

5. Internal Audit

The Committee will recommend to the Board as to whether the Corporation requires a formal internal audit function; and if so, the form and appropriate activity schedule as well as the Internal Auditor's relationship with the external auditor and with management.

6. External Audit

The Committee will review the planning and results of external audit activities and review the ongoing relationship with the Auditor. This includes:

- (a) Reviewing and recommending to the Board, for shareholder approval, the engagement of the Auditor;
- (b) Reviewing the annual audit plan, including but not limited to the following:
 - (i) Engagement letter;
 - (ii) Objectives and scope of the audit work;
 - (iii) Procedures for quarterly review of financial statements;
 - (iv) Materiality limit;
 - (v) Areas of audit risk;
 - (vi) Staffing;
 - (vii) Timetable; and
 - (viii) Proposed fees.
- (c) Meeting with the Auditor to discuss the Corporation's quarterly and annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;
- (d) Reviewing and advising the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:
 - (i) Any difficulties encountered, or restrictions imposed by management, during the annual audit;
 - (ii) Any significant accounting or financial reporting issues;
 - (iii) The Auditor's evaluation of the Corporation's system of internal controls, procedures and documentation;
 - (iv) The post audit or management letter containing any findings or recommendations of the Auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses; and
 - (v) Any other matters the Auditor brings to the Committee's attention.
- (e) Reviewing the Auditor's Report on all material subsidiaries;
- (f) Reviewing and receiving assurances on the independence of the Auditor;
- (g) Assessing the performance and considering the annual appointment of the Auditor for recommendation to the Board;
- (h) Reviewing and pre-approving the non-audit services to be provided by the Auditor's firm or its affiliates in accordance with the *Audit Committee Pre-Approval Policy*; and

- (i) Reviewing and monitoring the Corporation's Hiring Policy Restricting the Hiring of Certain Employees or Former Employees of the External Auditors.

7. Other

- (a) Review insurance coverage of significant business risks and uncertainties;
- (b) Review material litigation and its impact on financial reporting;
- (c) Review policies and procedures for the review and approval of officers' expenses and perquisites; and
- (d) Review the terms of reference for the Committee annually and make recommendations to the Board as required.

SCHEDULE B

AUDIT COMMITTEE PRE-APPROVAL POLICY

BACKGROUND

Both the SEC and the CICA have implemented rules or standards to support the independence of the external auditor. Under these, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent auditor in order to assure that the provision of such services does not impair the auditor's independence. Unless a type of service to be provided by the independent auditor has received general pre-approval, it will require specific pre-approval by the Audit Committee. Any proposed services exceeding pre-approved cost levels will require specific pre-approval by the Audit Committee.

The appendices to this Policy describe the Audit, Audit-related, Tax and All Other services that have the pre-approval of the Audit Committee. The term of any pre-approval is valid for 120 days from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The Audit Committee will periodically review & revise, when appropriate, the list of pre-approved services, based on subsequent determinations.

DELEGATION

The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee will not delegate its responsibilities to pre-approve services performed by the independent auditor to management.

AUDIT SERVICES

The annual Audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee. The Audit Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other matters.

In addition to the annual Audit services engagement approved by the Audit Committee, the Audit Committee may grant pre-approval for other Audit services, which are those services that only the independent auditor reasonably can provide. The Audit Committee has pre-approved the Audit services listed in Appendix A. All other Audit Services not listed in Appendix A must be separately pre-approved by the Audit Committee.

AUDIT-RELATED SERVICES

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and that are traditionally performed by the independent auditor. The Audit Committee believes that the provision of Audit-related services does not impair the independence of the auditor, and has pre-approved the Audit-related services listed in Appendix B. All other Audit-related services not listed in Appendix B must be separately pre-approved by the Audit Committee.

TAX SERVICES

The Audit Committee believes that the independent auditor can provide Tax services to the Company such as tax compliance, tax planning and tax advice without impairing the auditor's independence. However, the Audit Committee will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Income Tax Act or the Internal Revenue Code and related regulations. The Audit Committee has pre-approved the Tax services listed in Appendix C. All Tax services involving large and complex transactions not listed in Appendix C must be separately pre-approved by the Audit Committee.

ALL OTHER SERVICES

A list of the SEC and CICA prohibited non-audit services is attached to this policy as Exhibit 1. The rules and relevant guidance of the CICA and the SEC should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

PRE-APPROVAL FEE LEVELS

Pre-approval fee levels for all services to be provided by the independent auditor will be established periodically by the Audit Committee. Any proposed services exceeding these levels will require specific pre-approval by the Audit Committee.

SUPPORTING DOCUMENTATION

With respect to each proposed pre-approved service, the independent auditor will provide detailed back-up documentation, which will be provided to the Audit Committee, regarding the specific services to be provided.

PROCEDURES

Requests or applications to provide services that require separate approval by the Audit Committee will be submitted to the Audit Committee by both the independent auditor and the Chief Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the CICA standard on auditor independence.

**APPENDIX A
PRE-APPROVED AUDIT SERVICES FOR FISCAL YEAR**

Service	Threshold
Statutory audits or financial audits for the Company and for subsidiaries or affiliates of the Company	Up to \$ 10,000
Services associated with securities commissions registration statements, periodic reports and other documents filed with the securities commissions or other documents issued in connection with securities offerings (e.g., comfort letters, consents), and assistance in responding to securities commissions comment letters	Up to \$ 10,000
Consultations by the Company's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the CICA, ASC, SEC, FASB, or other regulatory or standard setting bodies	Up to \$ 10,000
Consultations and services provided in the review of conversion activities related to acquired entities to provide a level of reliance for the annual audit.	Up to \$ 10,000
Services associated with the review of the Company's quarterly financial statements and reporting to the audit committee.	Up to \$ 10,000

APPENDIX B
PRE-APPROVED AUDIT-RELATED SERVICES FOR FISCAL YEAR

Service	Threshold
Due diligence services pertaining to potential business acquisitions/dispositions	Up to \$ 10,000
Agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters	Up to \$ 10,000
Internal control reviews and assistance with internal control reporting requirements	Up to \$ 10,000
Consultations by the Company's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the CICA, ASC, SEC, FASB, or other regulatory or standard-setting bodies	Up to \$ 10,000
Attest services not required by statute regulation	Up to \$ 10,000

**APPENDIX C
PRE-APPROVED TAX SERVICES FOR FISCAL YEAR**

Service	Threshold
Canadian and US federal, state, provincial and local tax planning and advice, including guidance on entering into new jurisdictions (states or provinces); and on withdrawal procedures, if required.	Up to \$ 10,000
Canadian and US federal, state, provincial and local tax compliance including-dealing with notices and/or assessments from these jurisdictions; assistance with specific correspondence or requests from state or city/county; and application for refunds when required.	Up to \$ 10,000
International tax planning and advice	Up to \$ 10,000
International tax compliance	Up to \$ 10,000
Review of federal, state, local and international income, franchise, and other tax returns	Up to \$ 10,000
Licensing [or purchase] of income tax preparation software ¹ from the independent auditor, provided the functionality is limited to preparation of tax returns or calculation of supporting amounts necessary to prepare tax returns or tax elections.	Up to \$ 10,000
Due diligence services pertaining to review of tax returns of potential business acquisitions and tax planning for acquisition deal structures	Up to \$ 10,000

¹ Licensing or purchasing income tax preparation software is permitted, so long as the functionality is limited to preparation of tax returns. If the software performs additional functions, each function must be evaluated *separately* for its potential effect on the auditor's independence.

EXHIBIT 1
PROHIBITED NON-AUDIT SERVICES

- Bookkeeping or other services related to the accounting records or financial statements of the audit client²
- Financial information systems design and implementation²
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports²
- Actuarial services²
- Internal audit outsourcing services²
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit

² Provision of these non-audit services is permitted if it is reasonable to conclude that the results of these services will not be subject to audit procedures. Materiality is not an appropriate basis upon which to overcome the rebuttable presumption that prohibited services will be subject to audit procedures because determining materiality is itself a matter of audit judgment.