REPORT TO SHAREHOLDERS

Although 2004 was a difficult year for Churchill from a financial perspective, we were able to achieve progress on a number of fronts.

2004 was expected to be a turnaround year after our poor 2003 and indeed that was the case for several of our operating companies. However, the results from two of our companies negatively affected the Corporation's overall financial results.

Our revenue was $334.6 million, up 4.8% over 2003, as many of the client delayed projects from prior years moved into the construction phase. Our building construction division, Stuart Olson, had a good year on increased revenue and much improved operating income. The industrial market continued to be slow early in the year but picked up in the latter half resulting in an overall increase in revenue from the prior year. Our insulation businesses, particularly Fuller Austin, had a good year financially. Laird Electric, however, struggled with lower revenue and tighter contract margins and Triton failed to execute profitably on its fabrication contracts.

It was a year in which the markets of our various businesses fluctuated but all finished the year in an improved environment. After a slow early start, Stuart Olson's market picked up dramatically, resulting in a turnaround year. Our insulation companies had a strong beginning, slowed up in mid-year and then finished strongly. Laird Electric had a good beginning and then struggled through the balance of the year with delays in project starts and deferred maintenance work. Triton started the year with a very low carryover of work from 2003 but was able to acquire significant new work by mid-year, only to be hampered with start-up issues on contracts at Churchill's new modular fabrication plant. By year-end we faced a much different situation wherein all activity had rebounded. We now look forward to 2005 for a major upswing in all of our markets.

ISSUES IN 2004:

As expected, the first half of the year was a challenge. This was primarily as a result of client initiated delays in project starts that resulted in low revenue relative to the Corporation's capacity. By mid-year the level of activity increased substantially. This improvement was too late to offset the early losses, although it did provide excellent opportunities from that juncture onward.

The dominating issue causing our poor financial results was the additional start-up cost associated with Churchill's new modular fabrication facility. Early in the year we commenced construction on a new 45,000 square foot facility on 160 acres northeast of Edmonton, costing approximately $7.4 million. Many of the new oil sands projects are being constructed utilizing off-site fabrication of process modules that are then transported to the jobsite and assembled. As this is a key entry into participation in the massive oil sands construction market, we initiated the project.

It was planned that the completion and commissioning of the facility would be mid-year, and as such Triton secured several new contracts for work to start at that time. Due to weather and permitting issues, construction was completed late, resulting in

a compressed commissioning phase. This caused much higher costs than expected and Triton was not able to bring the production level up to the designed capacity within the planned time frame. Although the quality of the finished product was excellent, the cost overruns were high due to low productivity and ineffective processes. This caused severe erosion of Triton's profitability, particularly in the fourth quarter of the year.

Laird Electric was expected to continue the level of profitability achieved in 2003. However, delays in the start-up of construction on many of the new oil sands projects in northern Alberta caused the company's revenue to be considerably lower than expected. As well, its major client postponed a significant amount of on-going maintenance work into 2005 resulting in lower contract revenue for 2004.

As a result of the financial losses of the last few years, and in particular 2004, Churchill's working capital has been reduced. The Corporation is in the process of arranging for additional financing to replenish the working capital to fund the present work program and to take advantage of additional opportunities in our market.

ACHIEVEMENTS:

Stuart Olson achieved a very positive turnaround in financial results during the year. 2003 had been the first year in a long period in which the company incurred a financial loss. This was primarily due to delays in new project starts. As these projects eventually moved into construction in 2004, the company realized significant growth in revenue and improvement in earnings.

Fuller Austin had a very successful year both in terms of project execution and work procurement. The early part of the year was very strong as the company completed work in a number of Edmonton modular facilities on projects destined for the oil sands plants in northern Alberta. As a result of its performance on these contracts, Fuller Austin was able to secure contracts to perform the on-site work in the Fort McMurray region for one of the major oil sands producers. The scope of this work will result in one of the largest industrial insulation projects ever executed in Canada and it is expected to extend throughout all of 2005 and into 2006.

Although the financial results were well below our expectations for Churchill's new fabrication facility, we did see success in the aspect of work procurement. Prior to completion of the plant in mid-year, Triton secured major fabrication contracts with a number of large national oil and gas companies. This work fully occupied the plant capacity throughout the latter half of the year and is scheduled to extend into 2005. Several of these contracts also include field installation projects which are several times larger than the fabrication scope itself. This is an indication of success in Churchill's strategy of levering the module fabrication activities into opportunities for field installation work.

Both Triton and Fuller Austin secured contracts for larger projects during the year. Large projects have a longer duration, which enhances the predictability and sustainability of revenue and earnings. This is in keeping with Churchill's strategy of increasing the proportion of our business from this type of work. Stuart Olson continued with its successes in securing larger projects to enhance its backlog and at year-end had several new contracts for large projects nearing the commitment stage with clients.

The level of Churchill's maintenance and shutdown/turnaround work increased during the year. It moved up to 35.5% ($36 million) of our industrial revenue from 23.4% ($30 million) during the prior year. This shows progress toward our goal of deriving a greater proportion of our business from recurring revenue.

Geographic expansion was a strategic initiative that also achieved a measure of success. Fuller Austin opened a new office in Ancaster, Ontario during the year. This followed the company's successful entry into that market through the completion of its Nanticoke refinery project for a major national oil company in 2003. It is expected that the southern Ontario market should provide significant opportunities going forward, particularly in the power generation field. Our acquisition of Laird Electric in 2003 provided Churchill with a greatly increased presence in the Fort McMurray region. Triton, Fuller Austin and Northern Industrial Insulation have enlarged their offices and expanded their work activities in this rapidly growing oil sands region.

STRATEGY:

Churchill's goal is to build a highly profitable and sustainable construction, maintenance and industrial services company. Our immediate focus is to return to profitability, followed by sustainable growth in earnings. We did not effectively deliver this strategy in 2004 and are consequently making changes to ensure that these objectives are met in 2005.

Our current focus includes:

- Improving the operational performance of Triton
- Completion of enhanced systems and processes to achieve the planned production efficiencies in the modular fabrication facility
- Arranging for new financing and capital structure in order to replenish the Corporation's working capital
- Increasing the base of recurring revenue through more plant maintenance and annual shutdown work
- Enhancing Churchill's position in the large project markets
- Providing more project opportunities through increased service offerings and bundling of services
- Emphasizing relationship-based methods of project delivery

MANAGEMENT SUCCESSION:
During 2004, there were several major changes to Churchill's senior management. Gary Bardell stepped down in November as the President and Chief Executive Officer. Hank Reid, who led the Corporation through a successful twelve year period from 1991 to 2003, returned as Interim President and CEO. At year-end, Ian Morris, Vice President Finance and Chief Financial Officer, left the organization. The functions of the CFO's office are being performed by DeEtte Mack, CA, Corporate Controller, under the general supervision of Director, Harry King, CA, Chairman of the Audit Committee.

OUTLOOK:
Churchill's markets all improved during the latter months of the year and this is expected to carry forward throughout 2005. The majority of Churchill's business is generated in Alberta and British Columbia and these provinces are forecast to lead the country in economic growth in the coming year.

The oil sands and heavy oil mega projects are moving into the construction phase which will result in Alberta being one of the best construction markets in North America over the next decade. Independent forecasts have identified $64 billion

of major projects planned for the next three to five years in the oil sands, oil and gas and power sectors of the industrial market in Alberta. As these plants are completed and move into production they will also generate an increasing amount of maintenance work. In addition to the industrial construction opportunities, there will also be spin-off effects through growth in the general economy that will benefit Stuart Olson's building construction market.

The British Columbia market has improved dramatically from the doldrums of a few years ago and as we move closer to the 2010 Olympics in Vancouver, the construction market should continue to strengthen. The provincial government is also committed to stimulating the resource industry so we expect to see more opportunities in the forest products and oil and gas sectors.

Churchill's Board of Directors and senior management believe that our strategy to increase our opportunities in the oil sands construction market by building a modular fabrication facility is sound. However, our project execution in the start-up was flawed. We are committed to implementing measures to improve our productivity and production and consequently to achieve the designed operating efficiency of the facility. We will limit the plant through-put to allow for completion of these changes and will not gear up to full capacity until consistent profitability has been demonstrated. There is ample work upcoming and we need to be prepared.

H.R. (Hank) Reid Peter F. Adams

Churchill completed 2004 with a very high level of work-in-hand of $251.5 million. This backlog, combined with the expected new opportunities from improved markets, should result in considerably improved financial results by mid 2005.

As a consequence of the losses of the past few years, our emphasis will be on completing an arrangement for new financing and capital structure in order to take advantage of these opportunities. In addition to the aforementioned fabrication plant start-up issues, many of our financial performance difficulties of the last few years were related to our misjudging the timing of new work in our various markets. This resulted in low revenue relative to our capacity, while also driving down contract margins. These conditions are now greatly lessened as significant opportunities are now before us. We are encouraged by the progress we have achieved in the past several months and are confident in Churchill's future prospects.

On behalf of the Board of Directors, we would like to thank Churchill's employees, clients and shareholders for their continued support.

March 29, 2005

H.R. (Hank) Reid Interim President and Chief Executive Officer	Peter F. Adams Chairman