

REPORT TO SHAREHOLDERS

HIGHLIGHTS OF 2005

- Record revenue of \$479.8 million
- Major turnaround in profitability and earnings
- Substantial improvements in all markets
- All subsidiaries significantly improved operating results
- Three industrial subsidiaries achieved highest revenue in their history
- New equity financing completed
- Working capital increased through new banking facility
- Senior management team restructured
- Significant carryover of work into 2006



2005 was a positive year for your Corporation. Improved conditions in all of Churchill's markets, internal organizational and systems changes, as well as new capital restructuring, combined to produce significant improvement in our financial results.

Revenue increased for all but one of our subsidiary companies and was considerably above 2004 on a consolidated basis for the Corporation. More importantly, each of Churchill's subsidiary companies significantly improved its' operating results from the prior year.

Revenue of \$479.8 million was the highest level in the Corporation's history. This was an increase of 43.4% over 2004, and was indicative of the rapid improvement in our markets. The most dramatic increase was in our industrial market, where our operating companies achieved combined revenue of \$255.1 million, an increase of 152.1% on a year-over-year basis. Three of our companies, Laird Electric, Triton and Fuller Austin reached the highest levels of annual revenue in their history. Our building construction company, Stuart Olson, experienced another strong year and although the company's revenue was moderately below the prior year, its earnings increased considerably.

All of our markets began a major upswing in 2005. This was primarily driven by the start of construction on many of the large oil sands and related oil and gas projects in Alberta. Not only did this generate direct construction opportunities for our companies, but also spin-off effects that provided additional capital construction projects in the commercial, residential and public infrastructure sectors. Independent forecasts predict this large capital spending to continue for a number of years and thus the outlook for our business is very positive going forward. We see considerable opportunities for our industrial companies in oil sands construction and maintenance; focused growth in this sector will be a key strategy for Churchill.



ISSUES IN 2005:

Our level of activity increased substantially by the second quarter of 2005 and continued to increase as the year progressed.

Triton's financial results improved as a result of growth in its markets that allowed the company's revenue to reach the highest level in its history. It continued to face challenges, however, in the operation of the modular fabrication facility. Plant through-put was intentionally limited to a level below capacity as systems and process improvements were implemented. This reduced operating level at the fabrication plant, together with an operating loss on a major construction project, resulted in an overall net loss for Triton for the year.

A major capital restructuring program was instituted during the year for Churchill, which included new equity financing and a new banking facility with increased borrowing levels. This was necessary as a result of the rapidly growing requirement for working capital in our industrial companies due to increased business activity. Also working capital had been eroded due to the financial losses of the last two years. The restructuring strengthened our balance sheet and allowed our operating companies to move to a higher level of activity.

The dramatic increase in construction activity in western Canada has generated a shortage of labour, including both construction trade labour and management personnel. To date the problem has not impaired Churchill's growth; however it is becoming a more serious factor as the market expands. Churchill's operating companies have attempted to mitigate the issue through competitive remuneration, enhanced in-house training programs as well as expanded recruiting, both within Canada and internationally.

ACHIEVEMENTS:

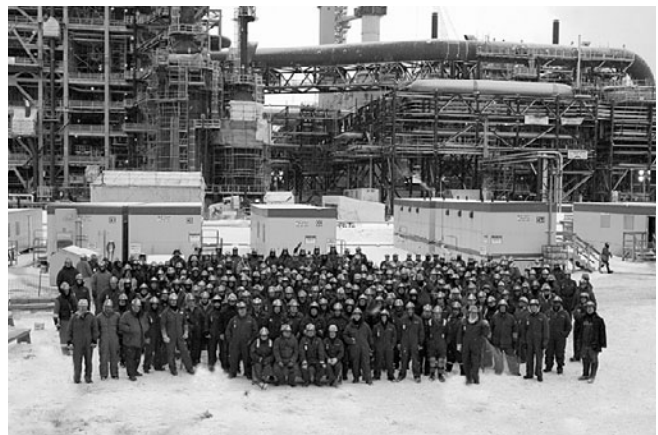
Laird Electric experienced an excellent year. The company reached a record level of annual revenue, a high level of earnings, and has significant carryover of work and opportunities into 2006. The year started strongly with the commencement of several large contracts for Laird’s major client in Fort McMurray and improved as the year progressed, as many of the previously delayed oil sands and related projects moved into construction. The company was able to diversify its client base both in capital projects as well as maintenance and shut-down work in the operating plants. The year was a considerable turnaround from the unusually low level of activity which the company faced in 2004.

Stuart Olson continued with the positive turnaround in financial results that commenced in the prior year. Operational earnings almost doubled on a year-over-year basis and although the company’s revenue was slightly lower, it was able to acquire several significant projects that are expected to move into construction in 2006. Its infrastructure market continued to expand, particularly in the healthcare and education sectors.

During the year, Fuller Austin completed one of the largest industrial insulation projects executed in Canada, for a major oil sands producer in the Fort McMurray region. The successful completion of this project strengthened Fuller Austin’s position as the foremost industrial insulation contractor in Canada. It also positions the company well in the expanding oil sands mega project market.

The level of Churchill’s maintenance and shutdown/turnaround work increased in 2005, consistent with our goal of deriving a greater proportion of our business from recurring revenue. As the many new oil and gas projects are completed in Alberta, we expect further opportunities for maintenance work.

The advancement of Churchill’s capital restructuring program was an important achievement during the year. A private placement of 5,323,000 Common Shares was completed, for a total equity financing of \$10.6 million. This was followed with a new banking facility offering a larger operating line of credit. The restructuring resulted in an increase in the Corporation’s working capital and, combined with the positive earnings achieved for the year, provided Churchill with a strengthened balance sheet.



STRATEGY:

Churchill's goal is to build a highly profitable and sustainable construction, maintenance and industrial services company. Our shorter term focus in 2005 was to return to profitability, followed by sustainable growth in earnings. We were able to accomplish much of this and are now moving towards longer term objectives for 2006.

Our current focus includes:

- Improving the operational performance of Triton
- Continuing with the capital restructuring program
- Recruiting, retaining and training our valued personnel
- Increasing our emphasis on oil sands construction
- Increasing the base of recurring revenue through more plant maintenance and annual shutdown work
- Increasing the diversity of industries, clients, services and geographic markets served by Churchill
- Emphasizing construction management and other partnering methods of project delivery

OUTLOOK:

Churchill's markets improved dramatically during the year and this higher level of activity is expected to carry forward throughout 2006. The majority of Churchill's business is generated in Alberta and British Columbia which are forecast to lead the country in economic growth.

Oil sands and heavy oil mega projects will drive the Alberta economy and provide significant opportunities for Churchill's industrial companies. Alberta Economic Development has identified \$84 billion of large projects planned for the next 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.

As the economies in Alberta and British Columbia continue to thrive, so will Stuart Olson's building construction market. Governments in both provinces have committed major infrastructure funding for healthcare, education and



recreational facilities, including facilities for the upcoming 2010 Olympics. These sectors have provided the bulk of the company's work in 2005 and its expertise in these areas bodes well for opportunities in the coming year.

The market for our services is expected to be strong. We do, however, face challenges in 2006. The turnaround at Triton is still underway. We have made significant progress in our capital restructuring program, but may require additional working capital to take advantage of further growth opportunities. Lastly, the growing shortage of skilled workers and management personnel, while being addressed proactively, challenges further organic growth in our present markets.

Churchill is the right company, at the right time, in the right market sectors. We are facing the strongest construction market in our history and what we believe to be one of the best in the world at this time.

I am pleased to have joined Churchill as your new President. I would like to thank all of our employees, clients, shareholders and Board Members for the support provided to me during my first year with the Corporation.

March 16, 2006



J. Norman Rokosh
President and Chief Executive Officer



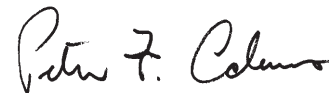
CHAIRMAN'S MESSAGE

This is the Corporation's first year under the leadership of Norm Rokosh, who joined us as President and CEO in May of 2005. Daryl Sands also joined Churchill this year as our Vice President Finance and CFO. We are delighted to have Norm and Daryl as leaders of our management team. I also thank Gary Bardell, our former CEO, who remains a very supportive contributor to our Corporation.

In the latter stages of 2004 and the first half of 2005, operational leadership was provided to the Corporation through a Special Committee of the Board, with Hank Reid, a past President of the organization, serving as Interim President and CEO. I thank the members of the Committee for their exceptional dedication and commitment to the Corporation through those several months.

As we move from a profitable 2005 and look forward to enhanced long-term opportunities ahead, I am confident that Churchill's restructured management team will provide the leadership required to sustain our profitability and provide growth in the years ahead. On behalf of the Board of Directors I thank our shareholders for their loyal and continuing support.

March 16, 2006



Peter F. Adams
Chairman of the Board of Directors