the
Churchill
Corporation

FIRST QUARTER REPORT

March 31, 2004

REPORT TO SHAREHOLDERS

As anticipated, your Corporation experienced a slow first quarter in 2004. Revenue was $72.8 million compared to $62.2 million in the first quarter of 2003. This increase in revenue, combined with higher contract income margins, contributed to improvements in financial results compared to the same period last year. Churchill incurred a loss of $1.2 million in the quarter compared with a loss of $1.8 million in the first quarter of 2003. Although the results were an improvement over last year, a low level of activity relative to our capacity was the major reason for the loss.

Our backlog of work-in-hand continues to be strong at $298.4 million. This is down somewhat from the $313.7 million level at year-end 2003; however, the Corporation continued to substantially replace the work that was completed during the quarter. The majority of this backlog is with our buildings group, Stuart Olson. Stuart Olson's $248.2 million of work-in-hand is an indication that their markets in western Canada remain strong.

Our insulation companies had a busier than normal quarter and continued their solid performance of 2003. Much of their work was on process modules destined for the Fort McMurray oil sands projects.

Our other industrial companies, Triton and Laird Electric were both negatively affected by delays in starts on major oil sands projects. We expect that it will be mid 2004 before many of these projects move into the construction phase. Maintenance and plant turnaround work has provided the bulk of the activity for these companies during the first quarter. Churchill's strategy of increasing our level of recurring revenue through additional maintenance work has helped to mitigate the effects of project delays.

We are pleased to announce that Danny Daoust has been appointed President of Triton. Danny has a broad industrial construction background, having worked for large construction and engineering companies in eastern Canada. He is already providing valuable input to our management team. This appointment completes the repositioning of Triton to better enable the company to benefit from the extensive oil sands related construction activity that is expected to occur over the next decade.

Oil sands projects are increasingly being constructed utilizing off-site fabrication of process modules that are then transported to the jobsite and assembled. In late 2003, Churchill initiated construction of a major modular fabrication facility near Edmonton, for use by all of our industrial companies. We believe this facility, when completed in June of this year, will allow Churchill's companies to move strongly into this market. In addition to providing new fabrication work, we are anticipating that we will be able to lever the module fabrication activities into opportunities for field installation work. We have experienced a high level of interest from potential clients who have expressed intentions to award us both fabrication contracts and the associated field work.

The first half of 2004 was expected to be a challenge from an earnings perspective, and the results of the first quarter have confirmed this expectation. Our belief is that this is primarily a timing issue that will also impact the second quarter, but will improve in the latter half of the year. We are committed to marketing our services, completing the new fabrication facility and preparing our companies to take advantage of the forecasted increase in opportunities.

May 4, 2004

Gary R. Bardell, MBA, P.Eng.
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of Churchill, prepared as at April 28, 2004, should be read in conjunction with the unaudited Consolidated Financial Statements and related notes, and the Report to Shareholders contained in this 2004 First Quarter Report, as well as the December 31, 2003 audited annual financial statements and related notes, MD&A and Report to Shareholders contained in the Corporation's 2003 Annual Report.

This is Churchill's first MD&A filed in accordance with the disclosure requirements of the Canadian Securities Administrators' National Instrument 51-102. Certain disclosures contained herein are mandatory for the first MD&A; subsequent quarterly MD&A's will update this MD&A.

ACCOUNTING POLICIES

Churchill continues to use the same accounting policies and methods as described in Note 2 attached to the December 31, 2003 Consolidated Financial Statements, except that the Corporation has adopted, effective January 1, 2004, the new CICA Handbook policies related to stock-based compensation and asset impairment.

Stock-Based Compensation -Effective January 1, 2004, the Corporation adopted the fair value based method of accounting for stock options which were granted to employees on or after January 1, 2002, in accordance with the new recommendations of CICA Handbook Section 3870 *Stock-Based Compensation and Other Stock-Based Payments*. The change was adopted retroactively without restatement. Under this method, the estimated fair value of the stock options granted is recognized over the applicable vesting period as a charge to stock compensation expense and a credit to contributed surplus. When these options are exercised, the proceeds received and the related amounts of contributed surplus are credited to share capital. For options granted prior to January 1, 2002, the Corporation continues to follow the applicable generally accepted accounting principle under which no expense is recognized; when these options are exercised, the proceeds are a credit to share capital. The impact on the financial statements arising from adoption of the fair value method is disclosed in Note 5.

Asset Impairment **-** Effective January 1, 2004, the Corporation adopted the new recommendations of CICA Handbook Section 3063 *Impairment of Long-Lived Assets*. Section 3063 requires that the impairment of long-lived assets held for use be established through a two-step process, with the first step determining when an impairment is recognized, and the second step measuring the amount of the impairment. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition, and is measured as the amount by which the long-lived asset's carrying amount exceeds its fair value. There is no material impact on the financial statements resulting from the adoption of Section 3063 either in the current or prior periods presented.

TERMINOLOGY

Throughout this 2004 First Quarter Report management refers to certain terms when explaining its financial results that do not have any standardized meaning under Canadian GAAP as set out in the CICA Handbook. Specifically, the terms "contract income margin percentage" and "work-in-hand" have been defined as -

Contract income margin percentage is the percentage derived by dividing Contract Income by Contract Revenue. Contract Income is calculated by deducting all associated direct and indirect costs from Contract Revenue in the period.

Work-in-hand is the unexecuted portion of work that has contractually been awarded to the Corporation. It includes contracts that have been awarded but not yet commenced construction, as well as an estimate of the revenue to be generated from maintenance contracts during the shorter of (a) the next two years, or (b) the remaining life of the contract.

CRITICAL ACCOUNTING ESTIMATES

Churchill's financial statements include estimates and assumptions made by management relating to the results of operations, financial conditions, contingencies, commitments, and related disclosures. Actual results may vary from these estimates. The following are, in the opinion of management, Churchill's most critical accounting estimates, being those that involve the most difficult, subjective and complex judgements, requiring estimates that are inherently uncertain and may change in subsequent periods.

Revenue recognition from cost-plus contracts and fixed-price contracts requires monthly estimates of costs incurred, costs to complete, and the timing of realization. On cost-plus contracts, estimates of costs incurred may be required in advance of being billed for those costs. On fixed-price contracts, revenues are recorded on a percentage-of-completion basis, which requires estimating certain costs incurred as well as the costs required to complete the contract. In making such estimates, judgements are required to evaluate contingencies such as variances in scheduling, material costs, labour costs, labour productivity, subcontractor costs, change orders and liability claims. Revenue recognition estimates may be required in each of our operating business segments, but would normally be most prevalant in Stuart Olson and Triton where a significant portion of their contract revenue and contract income for the period may be estimated. This may impact the timing of realizing net earnings.

Goodwill impairment incorporates, at a minimum, an annual assessment of the value of Churchill's goodwill by applying a fair value based test to each segment of goodwill. Each fair value test may incorporate estimates such as normalized earnings, future earnings, price earnings multiples, future cash flows, discount rates, and terminal values. The goodwill arose on the purchase of Laird Electric in February, 2003. Any impairment would reduce net earnings.

Income tax provisions, including current and future income tax assets and liabilities, may require estimates and interpretations of federal and provincial tax rules and regulations, and judgements as to their interpretation and application to Churchill's specific situation. Income tax provisions are estimated each quarter, updated each year-end to reflect actual differences and the impact of revenue recognition estimates, and then finalized during the preparation of the tax returns. Any changes between the quarterly estimates and the year-end provision, and the final filing position, may impact the income tax expense category, as well as the current and future income tax asset and liability categories.

Accounts receivable collectibility may require an assessment and estimation of the creditworthiness of the client, the interpretation of specific contract terms, the strength of Churchill's security, and the timing of collection. An allowance would be provided against any amount estimated to be uncollectable, and reflected as a bad debt expense.

SELECTED ANNUAL INFORMATION

	Year ended December 31,		
($ millions, except where noted)	2003	2002	2001
Contract Revenue	$ 319.2	$ 311.7	$ 293.5
Net (Loss) Earnings	(3.7)	1.0	5.3
Net (Loss) Earnings per Common Share			
Basic ($ per Share)	(0.31)	0.09	0.50
Fully Diluted ($ per Share)	(0.31)	0.09	0.47
Total Assets	102.8	99.0	103.9
Total Long-term Financial Liabilities	7.5	0 .4	1.5

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Churchill acquired Laird Electric on February 7, 2003. Revenue for the year ended December 31, 2003, excluding those earned by Laird from the date of acquisition, was $293.6 million.

The acquisition of Lakehead Insulation occurred in January, 2002. Lakehead's revenue for the period from acquisition to December 31, 2002 was $2.4 million, and for the year ended December 31, 2003 was $13.8 million.

Churchill's 41% interest in the Lafrentz Road Services business was sold in early 2003. Churchill's equity investment and management fee revenues from Lafrentz were $0.2 million in 2003, $0.4 million in 2002 and $0.1 million in 2001.

QUARTERLY FINANCIAL INFORMATION

($ millions, except where noted)

	2004	2003			
	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Contract Revenue	$ 72.8	$ 95.6	$ 84.2	$ 77.2	$ 62.2
Contract Income	4.5	7.0	5.1	6.1	2.9
Contract Income - %	6.2%	7.3%	6.1%	7.9%	4.7%
Net (Loss) Earnings	(1.2)	(0.5)	1.0	(2.4)	(1.8)
Net (Loss) Earnings per Common Share -					
Basic ($ per share)	(0.11)	(0.04)	0.09	(0.21)	(0.16)
Fully diluted ($ per share)	(0.11)	(0.04)	0.09	(0.21)	(0.16)
Work-in-Hand	298.4	313.7	393.4	393.8	402.7
Working Capital	15.2	17.6	18.9	17.8	19.7
Shareholders' Equity	29.2	30.5	30.8	29.7	32.1
Book Value per Common Share					
($ per share)	2.46	2.57	2.62	2.53	2.74

	2002			
	Dec. 31	Sept. 30	June 30	Mar. 31
Contract Revenue	$ 84.6	$ 85.0	$ 75.0	$ 67.1
Contract Income	4.4	4.3	6.1	5.8
Contract Income - %	5.2%	5.1%	8.1%	8.6%
Net (Loss) Earnings	Nil	(0.2)	0.8	0.4
Net (Loss) Earnings per Common Share -				
Basic ($ per share)	Nil	(0.02)	0.07	0.04
Fully diluted ($ per share)	Nil	(0.02)	0.06	0.04
Work-in-Hand	317.3	319.9	326.5	337.7
Working Capital	21.2	20.9	21.7	22.6
Shareholders' Equity	31.7	31.9	32.1	31.0
Book Value per Common Share				
($ per share)	2.92	2.93	2.96	2.93

The quarterly results for 2002 and 2003 reflect the fact that the quarterly contract income margins as a percentage of contract revenue have a major impact on the net earnings of the Corporation. Contract income margins can be influenced by bidding, procurement, and contracting activity that may have taken place well over a year prior, when circumstances might have been much different than the present. Work-in-hand at December 31, 2002 was $317.3 million; contract revenue for all of 2003 totaled $319.2 million indicating that a significant portion of 2003 revenue had been awarded to the Corporation in 2002, or earlier. Any measures taken by management to improve contract income margin percentages may take several quarters before they are fully reflected in the results.

Work-in-hand at March 31, 2004 was $298.4 million, which is lower than the previous year. This reflects the slowdown of major industrial projects currently coming on-stream.

RESULTS OF OPERATIONS

For the three months ended March 31, 2004, the Corporation incurred a net loss of $1.2 million (2003 - net loss of $1.8 million) on revenues of $72.8 million (2003 - $62.2 million), or a net loss per Common Share of $0.11 (2003 - net loss per Common Share of $0.16).

The March 31, 2004 results include the activities of Laird Electric for the full period, while the March 31, 2003 results include the activities of Laird from February 8 to March 31, 2003. An additional change between the first quarters of 2004 and 2003 is that Churchill's 41% interest in the Lafrentz Road Services business was sold in the first quarter of 2003. Churchill realized $1.5 million in proceeds from the sale and recognized a $0.1 million gain in the quarter ended March 31, 2003.

Buildings

Stuart Olson had work-in-hand of $263.5 million at December 31, 2003. For the three months ended March 31, 2004, they secured a further $40.4 million of contracts, and executed and took into revenue $55.7 million. The company had $248.2 million of work-in-hand at March 31, 2004, of which $81.0 million is expected to carry over into 2005.

Stuart Olson reduced its loss before income taxes to $0.5 million for the three months ended March 31, 2004 as compared to a loss of $1.1 million for the same period last year. The improvement is a result of increased revenue and a higher contract income margin percentage, slightly offset by a small increase in indirect and administrative expenses in the quarter as compared to the same period in 2003. The loss for the quarter ended March 31, 2004 is due in part to the execution of lower margin work obtained in 2002. The effects of these projects is expected to diminish as the company's higher margin work obtained in 2003 moves into construction.

Industrial General Contracting

Triton had work-in-hand of $12.1 million at December 31, 2003. For the three months ended March 31, 2004, they secured a further $8.6 million of work, and executed and took into revenue $4.1 million. Approximately 50% of their opening work-in-hand was comprised of expected revenue from maintenance contracts, which can vary in amount from year to year and is typically earned throughout the year. The company had $16.6 million of work-in-hand at March 31, 2004.

Triton's revenue declined to $4.1 million for the quarter ended March 31, 2004 as compared to $9.4 million for the same period in 2003. This reflects the lack of bidding opportunities in their market segment in the latter part of 2003. Contract income margins increased substantially as a percentage of revenue in the quarter compared to the same period last year, while indirect and administrative expenses increased by $0.1 million. Despite the lower revenue level, Triton's loss before income taxes reduced to $0.7 million for the three months ended March 31, 2004 compared to a loss of $1.1 million for the same period last year. The primary reason for Triton's loss during the quarter is a low level of revenue due to delays in industrial project starts in the first half of the year.

Industrial Insulation Contracting

Fuller Austin and Northern Industrial entered 2004 with a combined $14.3 million of work-in-hand. For the three months ended March 31, 2004 they secured a further $5.2 million of work, and executed and took into revenue $8.9 million. Approximately 30% of their opening work-in-hand was comprised of expected revenue from maintenance contracts, which can vary in amount from year to year, and is typically earned throughout the year. The companies had a combined $10.6 million of work-in-hand at March 31, 2004.

Industrial Insulation Contracting revenue increased by $1.0 million during the first quarter of 2004 compared to the same period in 2003. Contract income margins increased substantially as a percentage of revenue in the quarter compared to the same period last year, while indirect and administrative expenses increased by $0.1 million. Industrial Insulation Contracting produced income before income taxes of $0.3 million for the three months ended March 31, 2004, compared to a loss of $0.1 million for the three months ended March 31, 2003.

Industrial Electrical Contracting

Laird had work-in-hand of $23.8 million at December 31, 2003. For the three months ended March 31, 2004, they secured a further $4.3 million of contracts, and executed and took into revenue $5.1 million. Laird had $23.0 million of work-in-hand at March 31, 2004.

Churchill acquired Laird on February 7, 2003. The Laird comparative figures for 2003 are for the period February 8 to March 31, 2003. Laird's revenues of $5.1 million declined slightly in the first quarter compared to $5.2 million revenue in the shorter period ended March 31, 2003. Laird was completing a major project at an oil sands site during the period ended March 31, 2003; there was no comparable major project underway in 2004. Contract income margins improved as a percentage of revenue during the first quarter of 2004 compared to the first quarter of 2003, however, indirect and administrative expenses increased by $0.4 million as Laird increased its business development efforts. Laird incurred a loss before income taxes of $0.2 million for the three months ended March 31, 2004, as compared to income before income taxes of $0.2 million for the period ended March 31, 2003. Laird's loss in

the first quarter of 2004 was related in part to the impact of winter weather on productivity, and in part to the anticipated slowdown in construction in the first half of 2004.

Corporate and Other

Corporate indirect and administrative expenses were down marginally for the three months ended March 31, 2004 as compared to the three months ended March 31, 2003. Included in the figure for the current quarter are charges for stock-based compensation expense in accordance with the new accounting policy, and costs of preparing for compliance with the new public company regulatory requirements.

The Corporation incurred legal fees during the quarter ended March 31, 2004 with a law firm for which a Director of the Corporation is also a partner of the firm. The fees were for services rendered in the ordinary course of business. The amount paid in the quarter was fifty thousand dollars.

At March 31, 2004 the Corporation had an interest bearing demand loan outstanding to the President and Chief Executive Officer to assist with housing arrangements in Edmonton in order to allow him to maintain offices in both Edmonton and Calgary. In addition, in relation to this housing arrangement, market-rate rent payments were made by the Corporation in the amount of six thousand dollars during the quarter. The Corporation has the option, renewable annually, to continue the monthly rent payments through September, 2006.

CASH FLOW, FINANCING, CAPITAL REQUIREMENTS, LIQUIDITY

Churchill's working capital position at March 31, 2004 was $15.2 million, down $2.4 million from December 31, 2003 and down $4.5 million from March 31, 2003. The $2.4 million reduction of working capital during the first quarter of 2004 was the result of spending $1.6 million on capital expenditures, repaying $0.5 million of debt, and incurring an operating loss of $1.2 million, offset in part by securing $0.2 million of new debt, and by $0.7 million of other items.

Capital expenditures for the three months ended March 31, 2004 were $1.6 million as compared to $0.2 million for the three months ended March 31, 2003. The Corporation commenced construction of a new modular fabrication facility for use by its industrial companies. The budgeted commitment for the land, building, equipment and associated site work is $7.4 million, of which $0.5 million was incurred to December 31, 2003, with an additional $1.0 million incurred in the first quarter of 2004. The facility is slated to be operational by June, 2004. The remaining $0.6 million of capital expenditures in the first quarter of 2004 were primarily to replace portions of, or add to, our vehicle and equipment fleets.

Contractual Obligations
($ millions)

		Payments due in	
	Total	current year	1-3 years
Long-term debt	$ 6.4	$ 1.6	$ 4.8
Finance contracts and Capital lease obligations	0.9	0.3	0.6
	7.3	1.9	5.4
Purchase obligations	4.0	4.0	-
	$ 11.3	$ 5.9	$ 5.4

The long-term debt is floating-rate term debt, bearing interest at prime plus 1%, payable in quarterly installments of $0.4 million plus interest, due February, 2008 and secured by a General Securities Agreement. Finance contracts, which bear interest at rates ranging from 3.9% to 8.4%, are payable in various monthly amounts, mature at various dates through to 2008, and are secured by specific equipment items. The purchase obligations represent enforceable commitments made by the Corporation pertaining to the new modular fabrication facility, and will be paid in 2004.

Churchill added $0.2 million to long-term debt during the quarter to finance the additions to the vehicle fleet. The Corporation also repaid $0.4 million of the acquisition loan and $0.1 million of other long-term debt. Churchill intends to raise approximately $3.0 million of long-term debt to assist with financing the new fabrication facility. As well, the Corporation expects to utilize up to $1.5 million of the equipment financing line available from its current lender. Churchill continues to have an unused general operating line of credit.

Churchill is in compliance with its banking covenants at March 31, 2004. Should the Corporation be offside on any of its covenants going forward, its lender has the contractual right to demand repayment of any outstanding balances under their loan facilities. In conjunction with arranging financing for the fabrication facility, the Corporation may negotiate modifications or changes to the existing covenants.

The Corporation is a partner in two joint ventures. In each instance the Corporation has provided a joint and several guarantee, increasing the maximum potential payment to the full value of the work remaining under the contract. The Corporation also provided a joint and several guarantee as part of the transaction in the first quarter of 2003 in which Churchill's interest in the Lafrentz Road Services business was sold to a third party. There is no maximum potential payment under the guarantee. The Corporation placed a portion of its proceeds into an escrow account until February, 2008 as a reserve against potential claims under the guarantee. At March 31, 2004, $0.2 million was in escrow.

As part of the purchase of Lakehead Insulation by Fuller Austin in January, 2002, there is potential future consideration of up to $0.3 million payable to the vendors based on Lakehead's earnings for the three year period ending December 31, 2004. No contingent consideration has been earned to date under this arrangement.

Shareholders' equity was $29.2 million at March 31, 2004, as compared to $30.5 million at December 31, 2003 and $32.1 million at March 31, 2003. Share capital increased $0.2 million from March 31, 2003 to December 31, 2003 as a result of 172,000 stock options being exercised, offset by 18,800 shares being purchased and cancelled under the Normal Course Issuer Bid. In the three months ended March 31, 2004 a further 7,300 shares were purchased and cancelled under the Normal Course Issuer Bid, reducing Share Capital marginally. At March 31, 2004, Contributed Surplus increased by $0.2 million over the $5.1 million balance that was reflected at both March 31, 2003 and December 31, 2003. This increase is the result of applying the new accounting principle related to stock-based compensation, and is detailed in Note 5 to the March 31, 2004 Consolidated Financial Statements and related notes included in this report. Retained Earnings declined from $21.6 million at December 31, 2003 to $20.1 million at March 31, 2004, reflecting the $1.2 million net loss for the quarter, as well as the impact of the stock-based compensation accounting policy and the Normal Course Issuer Bid activity.

As at March 31, 2004 the Corporation had outstanding 11,856,352 Common Shares and 1,046,334 options convertible into Common Shares (December 31, 2003 - 11,863,652 Common Shares and 1,046,334 options).

During the period April 1, 2004 to April 28, 2004, 120,000 options to acquire 120,000 Common Shares were exercised for cash. As at April 28, 2004 the Corporation has outstanding 11,976,352 Common Shares and 926,334 options convertible to Common Shares.

RISKS AND RISK MANAGEMENT

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 oil and gas. Oil and gas pricing and activity levels are directly impacted by worldwide events. The Corporation utilizes various third-party estimates of future price movements as background information in managing various aspects of our business. Significant downward movement in oil or gas commodity prices could lead to project delays or cancellations by customers, while significant upward movement could lead to clients looking to fast-track a project. Either movement would put pressure on Churchill's organizational infrastructure in the short term.

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.

Permitting, engineering and design that happen in advance of construction can lead to a delay. Stuart Olson participates in design-build projects where they take on the additional risk of design-related flaws or failures. Churchill is often required to provide performance bonds as assurance against contract completion; our ability to attain bonding is dependent upon our past performance, the strength of our balance sheet, and the existing quantity of work-in-hand.

Once a project has begun, the project management team must constantly be monitoring estimating, procurement, project execution and contract terms. All of these risks are controllable by management. Churchill assesses its project controls on an ongoing basis.

In past periods of high construction activity in western Canada there have been shortages of labour, including our own and our subcontractors' work forces. In certain of our companies, the labour force is unionized, creating the possibility of labour disruptions if collective agreements cannot be negotiated as they come due.

In the past, Churchill has grown by acquisition, including the acquisition of Laird Electric in 2003. Churchill's ability to undertake future acquisitions is limited by the Corporation's ability to access financing. The success of any acquisition is also dependent upon the integration of the acquired company into Churchill's operations.

Churchill's management is constantly assessing the Corporation's exposure to some form of catastrophic risk, and where possible and economically feasible, would buy insurance protection to mitigate that risk.

2004 OUTLOOK

Churchill entered 2004 with work-in-hand of $313.7 million, of which $265.6 million was expected to become earned revenue in 2004, with $48.1 million expected to carry forward into 2005 or later. During the three months ended March 31, 2004 the Corporation secured a further $58.5 million of contracts, and took into revenue $72.8 million net of $1.0 million of inter-segment revenue, replacing 79% of its revenue during the quarter. At March 31, 2004 the Corporation had a backlog of $298.4 million, of which $82.0 million is expected to carry forward into 2005 or later.

All four of the operating business segments improved their contract income margins as a percentage of revenue during the first quarter of 2004, compared to the same period of 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Management views this as an essential step in returning Churchill to profitability.

Stuart Olson's sector of the Alberta building construction market appears to be strong, and the British Columbia market appears to be strengthening. It is expected that there will be significant infrastructure development funding available for the construction of schools, hospitals and long-term health care facilities in Alberta. Stuart Olson is well positioned to participate in that activity. As expected, Stuart Olson's first quarter of 2004 was slow, due in part to the impact of winter weather on productivity. Stuart Olson expects to generate a higher level of revenue in each of the remaining quarters of 2004.

The scheduled completion of the new modular fabrication facility in June, 2004 will significantly enhance our position in the industrial construction marketplace . It is expected that the second quarter will be difficult, as many of the projects are still in the engineering phase and are not expected to move into construction until sometime in the third quarter of 2004, or later. Management expects that the industrial construction market will be stronger in the latter half of 2004, and believes that Churchill will be well positioned to benefit.

NOTICE

The March 31, 2004 Consolidated Financial Statements and related notes, contained herein, have not been subjected to an audit or review by external auditors.

It has been the Corporation's practice that interim financial information is unaudited, while year-end financial information is audited by external auditors.

FORWARD-LOOKING STATEMENTS

Certain statements in this First Quarter Report may constitute "forward-looking statements". Although management of the Corporation believes its expectations regarding future performance of the Corporation are based on reasonable assumptions and currently available financial and economic data, market conditions and operating plans, it can give no assurance that its expectations will be achieved. Such forward-looking statements involve risk, uncertainties and other factors that might cause the actual results, performance or achievements of the Corporation to vary significantly from any future results, performances or achievements expressed or implied in any forward-looking statements.

ADDITIONAL INFORMATION

This First Quarter Report, and the Management's Discussion and Analysis for the period ending March 31, 2004, as well as previous Quarterly and Annual Reports, the Annual Information Form and other required filings of The Churchill Corporation may be obtained by accessing SEDAR, the electronic system recording Canadian public securities filings, at www.sedar.com.

CONSOLIDATED BALANCE SHEETS

($ thousands)	March 31, 2004 (Unaudited)	December 31, 2003 (Audited)	March 31, 2003 (Unaudited)
ASSETS			
Current Assets			
Cash (Note 2)	**$ 18,571**	$ 14,622	$ 13,878
Accounts Receivable	**60,036**	67,513	63,902
Inventories and Prepaid Expenses	**2,348**	1,410	2,157
Properties for Sale	**103**	103	103
Income Taxes Recoverable	**2,465**	-	-
Current Portion of Agreement Receivable	**-**	138	98
	83,523	83,786	80,138
Agreements Receivable	**-**	-	112
Future Income Tax Assets	**377**	376	327
Property and Equipment	**10,596**	9,568	9,505
Intangible Assets	**609**	784	1,441
Goodwill	**8,315**	8,315	8,263
	$ 103,420	$ 102,829	$ 99,786
LIABILITIES			
Current Liabilities			
Accounts Payable	**$ 52,669**	$ 50,949	$ 44,457
Contract Advances and Unearned Income	**13,778**	11,454	13,201
Income Taxes Payable	**-**	1,105	1,212
Future Income Tax Liabilities	**-**	858	-
Current Portion of Long-Term Debt	**1,894**	1,864	1,555
	68,341	66,230	60,425
Long-Term Debt	**5,357**	5,635	6,530
Future Income Tax Liabilities	**483**	483	734
	74,181	72,348	67,689
SHAREHOLDERS' EQUITY			
Share Capital (Note 3)	**3,791**	3,794	3,549
Contributed Surplus (Note 5)	**5,329**	5,128	5,128
Retained Earnings	**20,119**	21,559	23,420
	29,239	30,481	32,097
	$ 103,420	$ 102,829	$ 99,786

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS

Three months ended March 31 (Unaudited) ($ thousands, except per share amounts)	2004	2003
Contract Revenue	**$ 72,829**	$ 62,177
Contract Costs	**68,309**	59,246
Contract Income	**4,520**	2,931
Interest Income	**124**	105
Sundry Income	**62**	109
Indirect and Administrative Expenses	**(5,637)**	(5,246)
Bad Debt	**-**	(1)
Depreciation and Amortization	**(781)**	(695)
Interest Expense	**(115)**	(126)
Loss Before Income Taxes	**(1,827)**	(2,923)
Income Tax Recovery	**578**	1,090
Net Loss	**$ (1,249)**	$ (1,833)
Net Loss Per Common Share (Note 4)		
Basic	**$ (0.11)**	$ (0.16)
Fully Diluted	**$ (0.11)**	$ (0.16)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Three months ended March 31 (Unaudited)

($ thousands)	2004	2003
Retained Earnings, beginning of period	**$ 21,559**	$ 25,253
Stock-Based Compensation (Note 5)	**(176)**	-
Retained Earnings, beginning of period, restated	**21,383**	25,253
Net Loss	**(1,249)**	(1,833)
Share redemption in excess of stated capital	**(15)**	-
Retained Earnings, end of period	**$ 20,119**	$ 23,420

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF NET CASH FLOW

Three months ended March 31 (Unaudited)

($ thousands)	2004	2003
OPERATING ACTIVITIES		
Net Loss	**$ (1,249)**	$ (1,833)
Non-cash items		
Net equity earnings (loss) of affiliate	**-**	(80)
Depreciation and amortization	**781**	695
Gain on disposal of properties for sale	**(6)**	(3)
Future income taxes	**(859)**	(5,732)
Stock-based compensation (Note 5)	**25**	-
	(1,308)	(6,953)
Net change in accounts receivable, inventories and prepaid expenses	**6,539**	12,669
Net change in accounts payable, contract advances and unearned income	**4,044**	(5,238)
Net change in income taxes payable/recoverable	**(3,570)**	3,730
	5,705	4,208
INVESTING ACTIVITIES		
Proceeds from agreement receivable	**138**	52
Proceeds on disposal of property and equipment	**19**	3
Distributions from equity investee	**-**	1,496
Acquisition of subsidiary	**-**	(13,165)
Additions to property and equipment	**(1,647)**	(242)
	(1,490)	(11,856)
FINANCING ACTIVITIES		
Issuance of long-term debt	**222**	8,000
Repayment of long-term debt	**(470)**	(593)
Issuance of common shares	**-**	26
Redemption of common shares	**(18)**	-
	(266)	7,433
Increase (decrease) in cash	**3,949**	(215)
Net cash, beginning of period	**14,622**	14,093
Net cash, end of period	**$ 18,571**	$ 13,878

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Basis of Presentation*

These interim unaudited consolidated financial statements should be read in conjunction with the audited financial statements for the fiscal year ended December 31, 2003 and notes thereto. These financial statements are prepared in accordance with generally accepted accounting principles for interim financial information in Canada; however, they do not conform in all respects to the disclosure requirements of generally accepted accounting principles for annual financial statements. The same accounting policies and methods were followed as were followed in the preparation of the audited annual financial statements for the financial year ended December 31, 2003, except for the application of the following new CICA Handbook Sections:

Stock-Based compensation - Effective January 1, 2004, the Corporation adopted the fair value based method of accounting for stock options which were granted to employees on or after January 1, 2002, in accordance with the new recommendations of CICA Handbook Section 3870 *Stock-Based Compensation and Other Stock-Based Payments*. The change was adopted retroactively without restatement. Under this method, the estimated fair value of the stock options granted is recognized over the applicable vesting period as a charge to stock compensation expense and a credit to contributed surplus. When these options are exercised, the proceeds received and the related amounts of contributed surplus are credited to share capital. For options granted prior to January 1, 2002, the Corporation continues to follow the applicable generally accepted accounting principle under which no expense is recognized; when these options are exercised, the proceeds are a credit to share capital. The impact on the financial statements arising from adoption of the fair value method is disclosed in Note 5.

Asset Impairment – Effective January 1, 2004, the Corporation adopted the new recommendations of CICA Handbook Section 3063 *Impairment of Long-Lived Assets*. Section 3063 requires that the impairment of long-lived assets held for use be established through a two-step process, with the first step determining when an impairment is recognized, and the second step measuring the amount of the impairment. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition and is measured as the amount by which the long-lived asset's carrying amount exceeds its fair value. There is no material impact on the financial statements resulting from the adoption of Section 3063 either in the current or prior periods presented.

2. *Cash*

($ thousands)

Cash includes $4,832 (December 31, 2003 - $4,370; March 31, 2003 - $5,012), which is restricted, under the British Columbia Lien Act, to the payment of direct costs related to specific construction projects.

3. *Share Capital*

As at March 31, 2004 the Corporation had outstanding 11,856,352 Common Shares and 1,046,334 options convertible into Common Shares (December 31, 2003 – 11,863,652 Common Shares and 1,046,334 options).

During the period April 1, 2004 to April 28, 2004, 120,000 options to acquire 120,000 Common Shares were exercised for cash. As at April 28, 2004 the Corporation has outstanding 11,976,352 Common Shares and 926,334 options convertible into Common Shares.

4. *Net Loss Per Common Share*

($ thousands, except per share amounts)

Three months ended March 31 (Unaudited)	2004	2003
Net Loss	($1,249)	($1,833)
Weighted average number of Common Shares outstanding	11,857,810	11,393,140
Incremental number of shares under treasury stock method	636,280	444,256
	12,494,090	11,837,396
Net Loss Per Common Share:		
Basic	($0.11)	($0.16)
Fully Diluted	($0.11)	($0.16)

For the periods ended March 31, 2004 and March 31, 2003, the effect of outstanding share options on earnings per share were anti-dilutive as the Corporation was in a loss position.

5. *Stock-Based Compensation*

($ thousands)

Effective January 1, 2004, the Corporation adopted the fair value method of accounting for employee stock options granted on or after January 1, 2002, retroactively without restatement as allowed under the transitional provision of CICA Handbook Section 3870. As a result, the opening balance of retained earnings has been decreased by $176 and opening contributed surplus has been increased by a corresponding amount.

Stock compensation expense of $25 was recognized for the three months ended March 31, 2004, representing the amortization for the period of the estimated fair value of all options granted since January 1, 2002.

6. *Segmented Information*

($ thousands)

The Corporation operates as a construction and maintenance services provider, primarily in western Canada. The Corporation is managed using five operating segments: Buildings, Industrial General Contracting, Industrial Insulation Contracting, Industrial Electrical Contracting, and Corporate and Other.

Buildings is active in the construction of commercial, institutional, light-industrial buildings and multi-unit residential buildings.

Industrial General Contracting includes heavy-industrial general contracting, fabrication, site work and ongoing maintenance.

Industrial Insulation Contracting includes all insulation, siding, fireproofing, asbestos abatement and plant maintenance services including, in certain instances, services provided to our industrial general contracting and industrial electrical contracting companies.

Industrial Electrical Contracting includes industrial electrical, instrumentation and power-line construction and maintenance services including, in certain instances, services provided to our industrial general contracting companies.

Corporate and Other includes the Corporation's non-core investments as well as all corporate costs not allocated directly to another business segment.

The segmented information provided is after the elimination of inter-segment management fees and loan balances and any related interest charges.

Three Months Ended March 31, 2004 (Unaudited)	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	$ 55,745	$ (479)	$ 149	$ —	$ 60,778	$ 172
Industrial General Contracting	4,069	(718)	226	—	9,089	322
Industrial Insulation Contracting	8,920	331	113	—	11,369	23
Industrial Electrical Contracting	5,062	(238)	254	8,315	17,926	147
Corporate and Other	—	(685)	39	—	6,648	1,022
Inter-segment Adjustments	(967)	(38)	—	—	(2,420)	(39)
	$ 72,829	$ (1,827)	$ 781	$ 8,315	$ 103,390	$ 1,647

Three Months Ended March 31, 2003 (Unaudited)	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	$ 40,272	$ (1,130)	$ 156	$ —	$ 54,127	$ 138
Industrial General Contracting	9,435	(1,136)	220	—	14,623	39
Industrial Insulation Contracting	7,944	(143)	118	—	12,134	26
Industrial Electrical Contracting	5,196	224	150	8,263	18,841	3
Corporate and Other	—	(738)	51	—	1,187	36
Inter-segment Adjustments	(670)	—	—	—	(1,126)	—
	$ 62,177	$ (2,923)	$ 695	$ 8,263	$ 99,786	$ 242

7. *Comparative Figures*

Certain of the comparative figures have been adjusted to be consistent with the current year's presentation.

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Inquiries regarding change of address, registered shareholdings,
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