the
Churchill
Corporation

FIRST QUARTER REPORT

March 31, 2005

REPORT TO SHAREHOLDERS

Your Corporation had an improved first quarter in 2005 as Churchill's markets all showed an increase in activity and our operational performance was much better. Revenue was $101.6 million compared to $72.8 million for the first quarter of 2004. Net loss was $0.2 million in the quarter compared with a net loss of $1.2 million in the first quarter of 2004. Both Laird and Triton returned to profitability in the quarter. Stuart Olson posted significant gains over the same period in 2004.

Our backlog of work-in-hand was $299.8 million, approximately the same as at the end of the first quarter of 2004. The backlog has increased markedly in our industrial companies, by $123.6 million, but is down by a similar amount in our buildings group, Stuart Olson. However, Stuart Olson's backlog does not reflect its large amount of work under negotiation that has not been finalized. Stuart Olson's markets in western Canada remain at the strongest level the company has experienced in a number of years and this is reflected in its improved earnings in the first quarter.

Laird incurred a much higher level of activity to date in 2005 but with lower contract margins. The company's revenue for the first quarter almost equaled the level of the entire year of 2004 as it commenced several large contracts for a major client. This improvement in the work underway in the Fort McMurray region is expected to continue for the balance of the year.

Our insulation companies had a slower than expected quarter given their large carryover of project work from 2004. Fuller Austin mobilized to execute the large oil sands contracts secured in the latter part of last year, but their client incurred logistical issues which delayed the progress of the work. Consequently, the company did not achieve the activity planned for the quarter and the expected earnings. This delayed work will translate into higher revenue for the balance of 2005.

Triton's financial results improved considerably in comparison to the last few quarters and to the same period last year. Maintenance and capital project work provided the bulk of the activity for the quarter while the fabrication facility showed improvements in productivity as system and process changes were implemented. As discussed in our 2004 Annual Report, we are continuing to limit the plant through-put until we are satisfied that the process changes are achieving the desired effects.

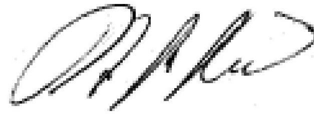
We are pleased to announce that J. Norman (Norm) Rokosh, MBA, P.Eng., has been appointed President and Chief Executive Officer of Churchill and will assume this position in mid-May. Norm has extensive experience in publicly listed technology and industrial companies in the oil and gas industry. He has a strong financial background coupled with significant operating experience, having worked for large construction and engineering companies both in Canada and internationally. Norm has a degree in engineering from the University of British Columbia and an MBA from the London Business School (London, England).

There were several other changes that occurred during the quarter due to the restructuring of Churchill's senior management team. Early in January, Ian Morris, Vice President Finance and Chief Financial Officer left the Corporation. The functions of the CFO's office were reorganized under the general direction of Harry King, CA, Chairman of the Audit Committee. DeEtte Mack, CA, Corporate Controller, subsequently assumed many of the duties of the office. As well,

Bruce Rintoul, Churchill's VP Industrial and the CEO of Triton, left the Corporation in April.

During the quarter, we made progress in our planned capital restructuring program. As outlined in our 2004 Annual Report, Churchill required additional working capital to support our 2005 work program and our planned expansion in the industrial market. On April 19, 2005 we announced an agreement to complete a $10.6 million equity financing, subject to shareholder approval at Churchill's Annual Meeting on May 12, 2005. The new financing will consist of an issuance of 5,323,000 Common Shares at $2.00 per share, the closing market price on April 15, 2005. The first stage of the transaction, involving an interim loan of $7.0 million, was completed on April 25, 2005.

We continue to be encouraged by our improved operational performance and our progress in refinancing, as well as the significant market opportunities before us. Churchill's Board of Directors and I are very pleased that Norm Rokosh will be joining us as your President and CEO and feel confident he will lead our Corporation back to profitability. I was pleased to have been able to act as your Interim CEO over the last several months and will be assisting Norm during the transition.



May 6, 2005

H.R. (Hank) Reid, MBA, P.Eng.
Interim 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 The Churchill Corporation, dated April 28, 2005, should be read in conjunction with the unaudited Consolidated Financial Statements and related notes, and the Report to Shareholders contained in this 2005 First Quarter Report, as well as the consolidated financial statements and related notes, MD&A and Report to Shareholders contained in the Corporation's 2004 Annual Report.

Except as discussed below, all other factors referred to and discussed in the MD&A for fiscal 2004 remain substantially unchanged.

ACCOUNTING POLICIES

Churchill continues to use the same accounting policies and methods as described in Note 1 attached to the December 31, 2004 Consolidated Financial Statements, except that the Corporation has adopted, effective January 1, 2005, a number of new accounting policies in accordance with recent CICA Accounting Guidelines and Handbook revisions. The following are the new policies:

Variable Interest Entities – CICA Accounting Guideline 15 (AcG-15) on the consolidation of variable interest entities is effective for annual and interim periods beginning on or after November 1, 2004. Variable interest entities refer to those entities that are subject to control on a basis other than ownership of voting interests. AcG-15 provides guidance for identifying variable interest entities, and criteria for determining consolidation.

The Corporation has determined that there is no impact on the financial statements resulting from the adoption of AcG-15.

Financial Instrument - Disclosure and Presentation – In November 2003, CICA Handbook Section 3860 *Financial Instruments-Disclosure and Presentation* was amended to require that certain obligations that may be settled at the issuer's option in cash or the equivalent value by a variable number of the issuer's own instruments be presented as a liability. The amendments are effective for fiscal years beginning after November 1, 2004, and would be applied retroactively, thus potentially requiring restatement.

The Corporation has determined that there is no impact on the financial statements resulting from the adoption of the amendments to Section 3860.

TERMINOLOGY

Throughout this 2005 First Quarter Report, and other documents referred to, management uses the following terms which 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 been contractually 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.

As discussed in the MD&A contained in the 2004 Annual Report, management has identified the Corporation's most critical accounting estimates to be in the areas of revenue recognition, accounts receivable collectability, goodwill impairment, and income tax provisions. No new critical areas have been identified during the three months ended March 31, 2005.

All estimates are updated each reporting period to reflect actual activity as well as to incorporate all new relevant information that has come to the attention of management. Given the nature of construction, with numerous contracts in progress at any given point in time, the impact of the critical accounting estimates on the results of operations is significant. Activities, or information received subsequent to the date of this MD&A, may cause actual results to vary, which will be reflected in the results of subsequent reporting periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

SELECTED ANNUAL INFORMATION

($ millions, except where noted)	Years ended December 31 2004	2003	2002
Contract Revenue	$ 334.6	$ 319.4	$ 311.8
Net (Loss) Earnings	(6.2)	(3.7)	1.0
Net (Loss) Earnings per common share			
Basic ($ per share)	(0.51)	(0.31)	0.09
Fully Diluted ($ per share)	(0.51)	(0.31)	0.09
Total Assets	122.3	102.8	99.0
Total long-term financial liabilities	1.8	5.6	0.0
Cash dividends declared per share	-	-	-

The above information is impacted by the following items:

(1) The acquisition of Laird Electric occurred on February 7, 2003. Laird's revenue for the period from acquisition to December 31, 2003 was $25.5 million and for the year ended December 31, 2004 was $19.7 million.

(2) 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 and $0.4 million in 2002.

(3) Churchill's new modular fabrication facility was constructed and commenced operation in 2004. The total carrying value of the asset was $7.2 million at December 31, 2004 and the Corporation's long-term debt increased during the year by $4.0 million in order to finance the facility. At December 31, 2004, due to larger than expected fourth quarter operating losses associated with the start-up of the fabrication facility, the Corporation was not in compliance with certain of its debt covenants. As a result, the portion of long-term debt outstanding with the lender at December 31, 2004 that was not scheduled to be repaid in the next 12 months was reclassified as a current liability. The amount of this reclassification was $6.6 million.

QUARTERLY FINANCIAL INFORMATION

($ millions, except per share data and percentages)

	2005	2004				2003		
	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30
Contract Revenue	$ 101.6	$ 101.8	$ 82.7	$ 77.3	$ 72.8	$ 95.8	$ 84.2	$ 77.2
Contract Income	7.3	1.9	5.4	6.2	4.5	7.2	5.1	6.1
Contract Income - %	7.1%	1.9%	6.5%	8.0%	6.2%	7.5%	6.1%	7.9%
Net (Loss) Earnings	(0.2)	(3.7)	(1.0)	(0.2)	(1.3)	(0.5)	1.0	(2.4)
Basic ($ per share)	(0.02)	(0.31)	(0.08)	(0.01)	(0.11)	(0.04)	0.09	(0.21)
Fully diluted ($ per share)	(0.02)	(0.31)	(0.08)	(0.01)	(0.11)	(0.04)	0.09	(0.21)
Work-in-Hand	299.8	251.5	338.4	347.0	298.5	313.7	393.5	393.8
Working Capital	3.4	3.0	9.9	13.0	15.2	17.6	19.0	17.8
Shareholders' Equity	24.7	24.9	28.5	29.5	29.2	30.5	30.8	29.7
Book Value ($ per share)	2.02	2.03	2.34	2.41	2.46	2.57	2.62	2.53

The business is generally affected by seasonal fluctuations such that the latter two quarters of the year tend to have higher revenue. Revenue increased in the last quarter of 2004 and the first quarter of 2005 indicating a general improvement in the Corporation's markets.

Contract income margins can be influenced by bidding, procurement, and contracting activity that may have taken place well over a year prior, when circumstances may have been much different than the present.

The September 30, 2003 quarterly results were impacted by a $3.0 million recovery of a bad debt allowance that had been established in the second quarter ended June 30, 2003. This allowance was related to a construction project commenced in 2001 by Stuart Olson for JTB Canadian Pork.

The significant drop in contract income in the fourth quarter of 2004 was primarily due to large losses incurred on early contracts executed by Triton utilizing Churchill's new modular fabrication facility.

The low level of earnings in the first quarter of 2005 relative to the increased revenue is due to larger indirect and administrative costs. Of the $1.5 million increase compared to the first quarter of 2004, $0.6 million relates to the cost of consultants and $0.3 million relates to the cost of the Special Committee of the Board of Directors. These additional costs include the review and design of process improvements of the industrial operations and the fabrication plant, as well as sourcing new capital for the Corporation. The balance is primarily staff and facility costs associated with planned increases in operations.

Work-in-hand improved during the first quarter of 2005, primarily due to a large increase in backlog in the industrial businesses. The overall level for the Corporation was still low relative to past quarters due primarily to lower work-in-hand at Stuart Olson. Although Stuart Olson's market in late 2004 and early 2005 was strong, the company had numerous project opportunities for which it was awaiting contractual agreements, and as such these additional opportunities were not reflected in its backlog.

Working capital was reduced during the fourth quarter of 2004 and the first quarter of 2005. This was primarily as a result of a reclassification of $6.6 million of long-term debt to current liabilities in 2004 ($6.0 million in 2005), as well as operational losses and capital expenditures on the new modular fabrication facility in 2004.

RESULTS OF OPERATIONS

For the three months ended March 31, 2005, Churchill incurred a net loss of $0.2 million (2004 – net loss of $1.2 million) on revenue of $101.6 million (2004 – $72.8 million), or a net loss per Common Share of $0.02 (2004 – net loss per Common Share of $0.11). Management had forecast this loss as the turn-around in profitability due to process improvements was expected to take several quarters to implement.

Buildings

Stuart Olson had work-in-hand of $139.6 million at December 31, 2004. For the three months ended March 31, 2005 the company secured a further $42.1 million of contracts, and executed and took into revenue $55.7 million. The company had $126.0 million of work-in-hand at March 31, 2005, of which $5.9 million is expected to carry over into 2006.

Stuart Olson's revenue for the three months ended March 31, 2005 was $55.7 million, the same revenue as the first quarter of 2004. Earnings before taxes improved considerably to $0.5 million in the first quarter of 2005 as compared to a loss of $0.5 million in the same period of 2004. The improvement was the result of higher margin work secured over the last year that has moved into the construction phase and was recognized as revenue in the quarter. The company is experiencing improvements in its primary markets as client expenditures for new buildings continue to increase in Alberta and British Columbia.

Industrial General Contracting

Triton had work-in-hand of $45.6 million at December 31, 2004. For the three months ended March 31, 2005 the company secured a further $17.8 million of contracts, and executed $18.5 million. The company had $44.9 million of work-in-hand at March 31, 2005, of which $7.0 million is expected to carry over into 2006.

Triton's revenue for the three months ended March 31, 2005 was $18.5 million, up significantly from $4.1 million for the three months ended March 31, 2004. Triton's earnings before taxes for the three months ended March 31, 2005 were $0.1 million, compared to a loss before taxes of $0.7 million for the same period last year. Although the company's revenue was

higher, lower contract margins and higher overhead costs associated with the modular fabrication facility caused relatively low earnings for the quarter. Progress was made during the quarter on systems and procedures in the fabrication plant resulting in improved productivity. Planned restrictions in the level of through-put continue to be in effect, however, until management is satisfied that desired results have been achieved.

Industrial Insulation Contracting

Fuller Austin and Northern Industrial Insulation had a combined work-in-hand of $22.2 million at December 31, 2004. For the three months ended March 31, 2005 they secured a further $9.1 million of contracts, and executed $11.4 million. The companies had $19.9 million of work-in-hand at March 31, 2005, of which $0.3 million is expected to carry over into 2006.

Revenue for the three months ended March 31, 2005 increased to $11.4 million, compared to $8.9 million for the three months ended March 31, 2004. Loss before taxes was $0.3 million for the three months ended March 31, 2005, compared to earnings before taxes of $0.3 million for the same period last year. While revenue increased, contract income margin percentages decreased on a year over year basis for the period. It was expected that Fuller Austin's new large oil sands contracts would be at lower contract margins, although the company had been anticipating much higher revenue from these projects during the quarter. Due to unforeseen client generated delays, the company was slower in mobilizing on-site and, as such, activity has shifted to subsequent quarters.

Industrial Electrical Contracting

Laird had work-in-hand of $44.1 million at December 31, 2004. For the three months ended March 31, 2005 the company secured a further $81.6 million of contracts, and executed $16.6 million. The company had $109.1 million of work-in-hand at March 31, 2005, of which $44.2 million is expected to carry over into 2006 and beyond. This is the highest level of work-in-hand in the company's history, indicating significant improvement in the market available to Laird.

For the three months ended March 31, 2005, Laird's revenue was $16.6 million, up significantly from $5.1 million for the same period last year. In the third quarter of 2004, Laird's major customer in Fort McMurray deferred its maintenance program to the first quarter of 2005. As well, Laird was awarded a large contract in January 2005 for this same client for work that started immediately and is scheduled for completion this year. Laird achieved earnings before taxes of $0.2 million for the three months ended March 31, 2005, compared to a loss before tax of $0.2 million for the same period last year. Contract margins were lower than expected during the quarter due to the carryover of a less profitable project from 2004 that has now been completed, as well as mobilizing inefficiencies causing higher labour and equipment costs on the start-up of the new large contracts. These effects are expected to lessen in future reporting periods.

Corporate and Other

For the three months ended March 31, 2005, the Corporate and Other segment incurred $1.0 million of indirect and administrative expenses including net interest costs, as compared to $0.7 million for the three months ended March 31, 2004. The increase in the indirect and administrative expenses was primarily related to the cost of consultants and the Special Committee of the Board of Directors. These additional costs include the review and design of process improvements of the industrial operations and the fabrication plant, as well as sourcing new capital for the Corporation.

Non-core property was sold during the quarter for $0.3 million resulting in a net gain over book value of $0.2 million.

CASH FLOW, FINANCING, CAPITAL REQUIREMENTS, LIQUIDITY

The Corporation's working capital position at March 31, 2005 was $3.4 million, down $11.8 million from March 31, 2004 and an increase of $0.4 million from December 31, 2004. The $11.8 million reduction of working capital on a year-over-year basis was primarily as a result of a reclassification of a portion of long-term debt to current liabilities as well as operational losses and capital expenditures on the new modular fabrication facility in 2004.

At December 31, 2004, due to larger than expected fourth quarter losses, the Corporation was not in compliance with certain of its debt covenants. The lender was in a position to demand repayment of any balances outstanding under these facilities. As a result, $6.6 million of long-term debt outstanding with the lender at December 31, 2004, which was not scheduled to be repaid in the next 12 months, was reclassified as a current liability. The Corporation monitors the financial covenants on a continuous basis.

Working capital increased by $0.4 million during the quarter primarily due to net income before depreciation and amortization and the non-current portion of income tax expenses of $0.9 million, offset in part by expenditures of $0.5 million on additions to property and equipment.

Capital expenditures for the three months ended March 31, 2005 were $0.5 million. Completion of the fabrication facility accounted for $0.1 million, while the balance of expenditures were primarily to replace portions of the vehicle fleet and to upgrade certain computer hardware.

The Corporation repaid $0.7 million of long-term debt during the quarter in accordance with the repayment schedules and the contractual obligations described in the 2004 Annual Report.

In order to increase the level of working capital, the Corporation is in the process of finalizing an arrangement for additional equity funding of $10.6 million. A proposal will be presented to the Shareholders at the Annual Meeting on May 12, 2005. This proposal will include the issuance of 5,323,000 of new Common Shares at a price of $2.00 per share in a private placement. The $2.00 share price was the closing market price of Churchill shares on April 15, 2005. This placement will consist of $7.0 million (3,500,000 shares) subscribed by Matco Capital Ltd.("Matco"), a private investment firm based in Calgary, Alberta and the balance of $3.6 million (1,823,000 shares) subscribed by Peter Allard who currently owns approximately 14% of Churchill Common Shares. The details of this proposal are described in the Corporation's press release of April 19, 2005 as well as the Material Change Report filed with the TSX on April 22, 2005. As an interim measure, prior to obtaining shareholder approval, Matco has agreed to lend Churchill $7.0 million, repayable not later than July 31, 2005. Upon obtaining shareholder approval, the loan will be converted into 3,500,000 Common Shares. If Churchill shareholders fail to approve the conversion, the loan will be repayable in full at maturity (July 31, 2005), together with accrued interest and a funding fee of $100 thousand. Matco will have the right, commencing from the date of advance of the loan until maturity, to convert up to $3.4 million of such loan into 1,677,000 Common Shares (being the same number of shares currently owned by Mr. Allard) reflecting a conversion price of $2.00 per share. The loan will accrue interest at 9% per annum, calculated and paid monthly in arrears and will be secured by a promissory note and a general security agreement, subordinated to security granted to Churchill's bank and surety company. This interim convertible loan transaction was completed on April 25, 2005 and the $7.0 million was advanced to Churchill.

This additional equity will improve the Corporation's working capital position and its ability to fund growth in its industrial businesses. It will also assist in increasing the Corporation's bonding capacity to enable it to take advantage of opportunities in the market.

Mr. Allard will be paid $100 thousand (plus reasonable legal expenses) by Churchill in exchange for the termination of a subordinated debt facility dated February 17, 2005 between the Corporation and Mr. Allard.

The Corporation continues to be 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.

Shareholder's equity was $24.7 million at March 31, 2005, as compared to $24.9 million at December 31, 2004. There were no purchases under the Normal Course Issuer Bid during the first quarter of 2005. This Normal Course Issuer Bid expired on February 23, 2005 and the Corporation chose not to initiate a new one. Contributed surplus increased $58 thousand during the three months ended March 31, 2005 as a result of the accrual of stock-based compensation. Retained earnings declined during the first quarter, from $15.2 million at December 31, 2004 to $15.0 million at March 31, 2005, reflecting the $0.2 million net loss for the quarter.

The Corporation had 12,271,686 Common Shares outstanding as at March 31, 2005 and April 28, 2005 (December 31, 2004 – 12,238,352 Common Shares).

During the period April 1, 2005 to April 28, 2005, 100,000 options were cancelled. Also during this period, 100,000 new options were committed to the incoming President and CEO at an exercise price to be set at the market price when he assumes this position with the Corporation and the options are thereby granted. There were 531,000 options convertible to Common Shares outstanding as at March 31, 2005 and April 28, 2005.

RISKS AND RISK MANAGEMENT

Churchill's management team assesses risk on an ongoing basis, while management and the Board of Directors periodically conduct a complete risk management assessment. The identified risks, such as oil and gas commodity pricing, oil and gas industry activity levels, severe weather changes, labour shortages, labour cost pressures, pre-construction third party activities, design-build project issues, bonding availability, project execution, and acquisition integration are considered with each major decision.

During the fourth quarter of 2004, Triton incurred significant losses as a result of start-up problems in the fabrication facility and the associated project execution. Churchill embarked on a major review, during late 2004 and continuing into 2005, of the systems and processes utilized at the fabrication plant. This review was conducted by senior management and external consultants under the direction of a Special Committee of the Board of Directors. This review is ongoing and process

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

improvements are being implemented. In the interim, plant through-put is being restricted until sufficient progress has been achieved.

It was identified in 2004, that additional working capital was necessary to satisfy the requirements of the Corporation's various stakeholders including its banking and surety companies. As well, the additional working capital would allow the Corporation to fund the day-to-day requirements of its larger industrial workforce and to achieve future growth. To meet these needs the Board of Directors, through its Special Committee, sought out and arranged for new capital. The Committee is continuing to review the capital structure of the Corporation to ensure it meets both present and future needs.

2005 OUTLOOK

During the three months ended March 31, 2005, Churchill secured a further $150.5 million of contracts, and executed and took into revenue $101.6 million, net of $0.6 million of inter-segment revenue. At March 31, 2005 the Corporation had $299.8 million of work-in-hand, of which $57.4 million is expected to carry forward into 2006.

The markets for all of the various segments of the Corporation's businesses are improving. The recent Alberta Government budget announced major increases in proposed capital expenditures related to health care and educational facilities, which will provide new opportunities for Stuart Olson. The oil sands construction market is growing as oil prices remain high and this source of commodity supply is overtaking conventional sources. The projects are moving from the engineering to the construction phase creating increased activity levels in all of Churchill's industrial businesses.

In order to take advantage of the improving market conditions and the corresponding opportunities, it is necessary to complete the renewal of the Corporation's capital structure and financing arrangements. This will continue to be a priority going forward.

The senior management restructuring at Churchill is evolving with the departures of Ian Morris as Chief Financial Officer and Bruce Rintoul as Vice President Industrial and Triton CEO. DeEtte Mack, CA, Corporate Controller, has assumed many of the duties of the CFO's office. J. Norman (Norm) Rokosh, MBA, P.Eng. will assume the position of President and Chief Executive Officer in mid-May.

NOTICE

The March 31, 2005 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, 2005, 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 2005	December 31 2004	March 31 2004
ASSETS			
Current assets			
Cash and equivalents (note 3)	**$ 7,114**	$ 11,719	$ 18,571
Term deposit (note 9)	**4,000**	4,000	-
Accounts receivable (note 4)	**89,136**	77,325	60,036
Inventories and prepaid expenses	**2,794**	1,663	2,348
Properties for sale (note 5)	**1**	103	103
Income taxes recoverable	**2,508**	954	2,465
Future income tax assets	**945**	1,921	-
	106,498	97,685	83,523
Future income tax assets	**470**	549	377
Property and equipment (note 6)	**15,416**	15,528	10,596
Intangible assets (note 7)	**173**	231	609
Refundable deposit	**1,000**	1,000	1,000
Goodwill	**7,315**	7,315	7,315
	$ 130,872	$ 122,308	$ 103,420
LIABILITIES			
Current liabilities			
Bank indebtedness (note 8)	**$ 7,795**	$ -	$ -
Accounts payable	**69,616**	67,363	52,669
Contract advances and unearned income	**16,901**	17,937	13,778
Current portion of long-term debt (note 9)	**8,777**	9,358	1,894
	103,089	94,658	68,341
Long-term debt (note 9)	**1,764**	1,849	5,357
Future income tax liabilities	**1,289**	935	483
	106,142	97,442	74,181
SHAREHOLDERS' EQUITY			
Share capital (note 10)	**4,333**	4,289	3,791
Contributed surplus	**5,436**	5,378	5,329
Retained earnings	**14,961**	15,199	20,119
	24,730	24,866	29,239
	$ 130,872	$ 122,308	$ 103,420

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)		2005		2004
Contract revenue	**$**	**101,614**	$	72,829
Contract costs		**94,355**		68,309
Contract income		**7,259**		4,520
Interest income		**89**		124
Sundry income		**290**		62
Indirect and administrative expenses		**(7,176)**		(5,637)
Depreciation and amortization		**(670)**		(781)
Interest expense		**(175)**		(115)
Loss before income taxes		**(383)**		(1,827)
Income tax recovery (expense):				
Current income tax		**1,554**		(281)
Future income tax		**(1,409)**		859
		145		578
Net loss	**$**	**(238)**	$	(1,249)
Net loss per common share (note 11) Basic and fully diluted	**$**	**(0.02)**	$	(0.11)

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Three months ended March 31 (Unaudited) ($ thousands)		2005		2004
Retained earnings, beginning of period	**$**	**15,199**	$	21,383
Net loss		**(238)**		(1,249)
Share redemption in excess of stated capital		**-**		(15)
Retained earnings, end of period	**$**	**14,961**	$	20,119

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)		2005		2004
OPERATING ACTIVITIES				
Net loss	**$**	**(238)**	$	(1,249)
Non-cash items				
Depreciation and amortization		**670**		781
Gain on disposal of property for sale		**(210)**		-
Loss (gain) on disposal of equipment		**2**		(6)
Future income taxes		**1,409**		(859)
Stock-based compensation		**58**		25
		1,691		(1,308)
Net change in accounts receivable, inventories and prepaid expenses		**(12,942)**		6,539
Net change in accounts payable, contract advances and unearned income		**1,217**		4,044
Net change in income taxes payable		**(1,554)**		(3,570)
		(11,588)		5,705
INVESTING ACTIVITIES				
Proceeds from agreement receivable		**-**		138
Proceeds on disposal of property for sale		**312**		-
Proceeds on disposal of equipment		**1**		19
Additions to property and equipment		**(503)**		(1,647)
		(190)		(1,490)
FINANCING ACTIVITIES				
Issuance of long-term debt		**18**		222
Repayment of long-term debt		**(684)**		(470)
Issuance of common shares		**44**		-
Redemption of common shares		**-**		(18)
		(622)		(266)
(Decrease) increase in cash		**(12,400)**		3,949
Net cash, beginning of period		**11,719**		14,622
Bank indebtedness (net cash), end of period	**$**	**(681)**	$	18,571

Bank indebtedness (net cash) is comprised of:				
Cash	**$**	**7,114**	$	18,571
Bank indebtedness		**(7,795)**		-
	$	**(681)**	$	18,571

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, 2004 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, 2004, except for the adoption of the following new or amended CICA Accounting Standard and Accounting Guideline:

Variable Interest Entities – Effective January 1, 2005, the Corporation adopted the recommendations of CICA Handbook Accounting Guideline 15 (AcG – 15) *Consolidation of Variable Interest Entities*, effective for annual or interim periods beginning on or after November 1, 2004. Variable Interest Entities refer to those entities that are subject to control on a basis other than ownership of voting interests. AcG – 15 provides guidance for identifying Variable Interest Entities and criteria for determining which entity, if any, should consolidate them. The Corporation has determined that there is no impact on the financial statements from the adoption of AcG – 15.

Financial Instruments – Disclosure and Presentation – Effective January 1, 2005, the Corporation adopted the amended recommendations of CICA Handbook Section 3860, *Financial Instruments – Disclosure and Presentation* effective for annual or interim periods beginning on or after November 1, 2004. Section 3860 requires that certain obligations that may be settled at the issuer's option in cash or the equivalent value by a variable number of the issuer's own equity instruments be presented as a liability. The Corporation has determined that there is no impact on the financial statements from the adoption of amendments to Section 3860.

2. ***Continuing Operations***

The unaudited interim consolidated financial statements of the Corporation have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

As a result of the financial losses over the last two years, particularly in 2004, the acquisition of capital assets related to pursuing growth in the industrial business and the reclassification of bank debt to current liabilities due to the Corporation's results being offside with the terms of its bank debt covenants, working capital has been significantly reduced. The Corporation is currently working with its existing lenders and, subject to shareholder approval, entered into two private placement agreements (Note 13) to manage their bank debt covenant position and replenish working capital to fund its current work program as well as future growth opportunities.

To the extent that the timing of additional sources of financing does not match with the Corporation's expectations, other strategic options will be considered to manage the size and scale of activity in different operating areas to continue operations.

These unaudited interim consolidated financial statements do not reflect adjustments that would be necessary to the carrying values of assets, liabilities and operations if the going concern assumption were not appropriate because management believes that the actions already taken or planned will result in sufficient financing to continue operations. However, management cannot guarantee that all financing arrangements will be in place and available within the timeframes required by current operating plans.

3. ***Cash***

($ thousands)

Cash includes $6,571 (December 31, 2004 - $10,477; March 31, 2004 - $4,832) which is restricted under the British Columbia Lien Act to the payment of direct costs related to specific construction projects. Cash balances of $543 (December 31, 2004 - $13; March 31, 2004 - $69) are in joint venture accounts.

4. ***Accounts Receivable***

($ thousands)

Accounts receivable are comprised of:

	March 31 2005	December 31 2004	March 31 2004
Trades receivable	**$ 67,231**	$ 60,101	$ 41,521
Holdback	**16,326**	14,568	14,128
Other	**5,579**	2,656	4,387
	$ 89,136	$ 77,325	$ 60,036

5. ***Properties for Sale***

($ thousands)

	March 31 2005	December 31 2004	March 31 2004
Undeveloped land	**$ 469**	$ 647	$ 647
Less cumulative valuation adjustments	**(468)**	(544)	(544)
	$ 1	$ 103	$ 103

On March 18, 2005, the Corporation finalized the disposition of a property for sale with a carrying value of $102 for net cash proceeds of $312.

6. ***Property and Equipment***

($ thousands)

	March 31 2005			Dec. 31 2004	March 31 2004	
	Cost	**Accumulated Depreciation**	**Net Book Value**	Net Book Value	Net Book Value	Depreciation Rates
Land	$ 3,343	$ -	$ 3,343	$ 3,343	$ 1,589	-
Buildings and improvements	10,468	3,059	7,409	7,357	3,798	4% - 30%
Vehicles and equipment	19,537	14,872	4,665	4,828	5,210	6% - 100%
	$ 33,347	$ 17,931	$ 15,416	$ 15,528	$ 10,596	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. ***Intangible Assets***

($ thousands)

	March 31 2005			Dec. 31 2004	March 31 2004	
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value	Net Book Value	Amortization Term
Customer Contract Intangible	$ 550	$ 550	$ -	$ -	$ -	12 months
Employment Contracts Intangible	1,000	827	173	231	609	36 months
	$ 1,550	$ 1,377	$ 173	$ 231	$ 609	-

8. ***Bank Indebtedness***

($ thousands)

The bank indebtedness of $7,795 is comprised of bank balances of $1,717 net of outstanding cheques of $9,512. The bank indebtedness is supported by an operating line of credit with a maximum availability of $6,000. The line of credit bears interest at prime plus 0.5%. The total amounts ultimately available under these facilities are subject to limits based on certain financial ratios. In addition, availability of the operating line is subject to default provisions of the Corporation's credit facilities' debt covenants (Note 9).

At March 31, 2005, the total available operating line of credit was reduced by $540 which was utilized in the form of irrevocable letters of credit as general security under industrial contracts. The letters of credit expire in 2005 and 2006 and are renewable annually.

9. ***Long-term Debt***

($ thousands)

	March 31 2005	December 31 2004	March 31 2004
Term loan	**$ 3,600**	$ 3,800	$ -
Mortgage payable	**1,285**	1,292	-
Acquisition loan	**4,800**	5,200	6,400
Finance contracts and capital leases	**856**	915	851
	$ 10,541	$ 11,207	$ 7,251
	(8,777)	(9,358)	(1,894)
Less current portion	**$ 1,764**	$ 1,849	$ 5,357

In 2004, the Corporation entered into a $4,000, five year term loan with its existing lender, secured by the existing General Security Agreements as well as a mortgage on the new modular fabrication facility. Interest on this loan is currently at prime plus 1.25%, but can be converted to a fixed interest rate at any time up to May 31, 2005. Principal repayments of $200 are due quarterly with the last payment due in August 2009.

In 2004, the Corporation placed a $1,300, five year mortgage on one of its properties. The mortgage matures in October 2009. The mortgage bears interest at 6.45%, is repayable in blended monthly payments of $10, and is secured by land and buildings and a site specific General Security Agreement.

The acquisition loan bears interest at prime plus 1.25%, is payable in quarterly installments of $400 plus interest, is due February, 2008, and is secured by General Security Agreements.

Finance contracts and capital leases bear effective interest rates ranging from 2.9% to 8.4%, are payable in various monthly installments, mature at various dates up to 2009, and are secured by vehicles and equipment.

Interest expense on long-term debt during the year was $170 (March 31, 2004 - $107)

The term loan, acquisition loan, and the line of credit (Note 8) are subject to certain debt covenants calculated on a quarterly basis, including but not limited to, tests of tangible net worth, leverage and interest coverage. At March 31, 2005, the Corporation was not in compliance with certain of its debt covenants; therefore, the bank is in a position to demand repayment of these facilities. As a result, the Corporation has classified $6.0 million of long-term debt that is not scheduled to be repaid until April 1, 2006 and onward, as a current liability. The Corporation has provided $4,000 term deposit as additional security for these credit facilities.

10. *Share Capital*

($ thousands, except share and per share amounts)

	Three months ended March 31			
Issued	**2005**		2004	
	Shares	**Share Capital**	Shares	Share Capital
Common Shares:				
Issued, beginning of period	**12,238,352**	**$ 4,289**	11,863,652	$ 3,794
Shares repurchased and cancelled	**-**	**-**	(7,300)	(3)
Stock options exercised	**33,334**	**44**	-	-
Issued, at March 31	**12,271,686**	**$ 4,333**	11,856,352	$ 3,791

As at March 31, 2005 the Corporation had outstanding 531,000 options convertible into common shares. (December 31, 2004 – 564,334; March 31, 2004 – 1,046,334).

11. *Net Loss per Common Share*

($ thousands, except share and per share amounts)

	Three months ended March 31	
	2005	2004
Net loss	**$ (238)**	$ (1,249)
Weighted average number of common shares outstanding	**12,259,463**	11,857,810
Net loss per common share:		
Basic and fully diluted	**$ (0.02)**	$ (0.11)

Basic earnings per share is computed on the basis of the weighted average number of Common Shares outstanding. Fully diluted earnings per share is computed on the basis of the weighted average number of Common Shares outstanding plus the effect of outstanding stock options using the treasury stock method. For the periods ended March 31, 2005 and March 31, 2004 the effect of outstanding share options on earnings per share is anti-dilutive as the Corporation is in a loss position. As such, the effect of outstanding stock options used to calculate the fully diluted net earnings per share has not been disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. ***Segmented Information***

($ thousands)

The Corporation operates as a construction and maintenance services provider, primarily in western Canada. The Corporation is managed using five business 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 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 accounting policies of the reportable segments are the same as those described in Note 1 of the audited annual financial statements for the financial year ended December 31, 2004. 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 31,2005	Contract Revenue	Earnings (Loss) Before tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	$ 55,691	$ 467	$ 140	$ -	$ 68,982	$ 98
Industrial General Contracting	18,480	113	192	-	8,492	131
Industrial Insulation Contracting	11,365	(322)	108	-	6,900	6
Industrial Electrical Contracting	16,643	155	127	7,315	15,525	93
Corporate and Other	-	(754)	103	-	30,973	156
Inter-segment Adjustments	(565)	(42)	-	-	-	19
	$ 101,614	$ (383)	$ 670	$ 7,315	$ 130,872	$ 503

Three months ended March 31,2004	Contract Revenue	Earnings (Loss) Before tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	$ 55,745	$ (479)	$ 149	$ -	$ 59,829	$ 172
Industrial General Contracting	4,069	(718)	226	-	8,722	322
Industrial Insulation Contracting	8,920	331	113	-	6,128	23
Industrial Electrical Contracting	5,062	(238)	254	7,315	12,770	147
Corporate and Other	-	(684)	39	-	15,971	1,022
Inter-segment Adjustments	(967)	(39)	-	-	-	(39)
	$ 72,829	$ (1,827)	$ 781	$ 7,315	$ 103,420	$ 1,647

13. ***Subsequent Events***

($ thousands, except share and per share amounts)

On April 15, 2005, subject to shareholder approval, the Corporation entered into two private placement agreements for 5,323,000 common shares at $2.00 for total proceeds of $10,646. The agreements are with two parties for $3,646 and $7,000 respectively. The $3,646 is a private placement with a shareholder who currently owns 14% of the outstanding common shares.

On April 25, 2005, the Corporation received funding of $7,000 related to one of the private placements described above in the form of an interim convertible loan of which $3,354 may be converted to 1,677,000 common shares at any time after funding up to July 31, 2005. The loan bears interest at 9% and is repayable on July 31, 2005. Upon shareholder approval, the balance of the $7,000 loan outstanding will be converted to common shares at $2.00 per share.

14. ***Comparative Figures***

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

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