the
Churchill
Corporation

THIRD QUARTER REPORT

September 30, 2005

REPORT TO SHAREHOLDERS

I am pleased to report continuing improvements in Churchill's operational results during the third quarter of 2005. Revenue was $120.6 million as compared to $118.8 million in the second quarter of 2005 and up considerably from $82.6 million in the third quarter of 2004. Net earnings were $1.3 million in the quarter compared with a net loss of $1.0 million in the third quarter of 2004. Three of our four operating companies were profitable in the quarter. Revenue for the nine months year-to-date was $341.0 million with net earnings of $2.1 million as compared to $232.9 million revenue with a net loss of $2.5 million for the comparable period in 2004.

Churchill's backlog of work-in-hand was $307.8 million, up $13.0 million from the second quarter of this year, as we were able to replace our completed work with new projects during the quarter.

Laird is experiencing the highest level of activity in its history. The company's revenue for the third quarter was $21.3 million, near the record level of the second quarter of 2005. Its Fort McMurray market continues to strengthen as oil sands projects move into construction and plant maintenance opportunities grow.

The slow start that our insulation companies experienced in the first half of the year is now behind them as clients proceed with previously delayed projects. The companies achieved combined revenue of $20.9 million in the quarter, considerably above the prior two quarters, and in turn resulting in higher earnings. This increased level of activity is expected to continue throughout the balance of the year.

Triton continues to experience challenges. Its fabrication facility is showing improved results, however it operates at a planned level below capacity, and hence at a loss, as systems and process improvements are implemented. Although Triton's revenue for the quarter reached $24.5 million, the reduced operating level of the fabrication plant, combined with an operating loss on a major construction project, resulted in the company's net loss of $0.9 million for the quarter.

Stuart Olson operated at the high level of activity which commenced approximately one year ago. Although the company's revenue of $54.6 million for the quarter was similar to the first two quarters of the year, its contract margins improved, resulting in higher earnings. The company's markets in Alberta and British Columbia continue to strengthen as public infrastructure projects are committed and move into construction.

Churchill made further progress in our planned capital restructuring program. In the second quarter of 2005 an equity financing for $10.6 million was completed. This was followed in the third quarter with a new banking facility offering an increased operating line. The strengthened balance sheet, together with this increase in operating capacity, will allow us to take advantage of the significant opportunities in our present markets, as well as to finance the planned growth in our operations.

I am encouraged by the continuing improvements in our operational performance. Our markets in the commercial, institutional and industrial sectors are all growing. With our stronger balance sheet we are positioned to capitalize on these many opportunities.

November 2, 2005

J. Norman (Norm) Rokosh, 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 The Churchill Corporation (the "Corporation"), dated October 26, 2005, should be read in conjunction with the unaudited Consolidated Financial Statements and related notes, and the Report to Shareholders contained in this 2005 Third Quarter Report, as well as the audited 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. Set out below are the following new policies adopted by the Corporation:

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 material 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 material impact on the financial statements resulting from the adoption of the amendments to Section 3860.

TERMINOLOGY

Throughout this 2005 Third Quarter Report, and other documents referred to, management has incorporated 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 in respect of operating results, 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 accounting estimates have been identified during the nine months ended September 30, 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 these 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.

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 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 in 2004.

QUARTERLY FINANCIAL INFORMATION

($ millions, except per share data and percentages)

	2005			2004				2003
	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31
Contract Revenue	$ 120.6	$ 118.8	$ 101.6	$ 101.8	$ 82.6	$ 77.3	$ 72.8	$ 95.8
Contract Income	9.7	10.4	7.3	1.9	5.4	6.2	4.5	7.2
Contract Income - %	8.0%	8.8%	7.1%	1.9%	6.5%	8.0%	6.2%	7.5%
Net Earnings (Loss)	1.3	1.1	(0.2)	(3.7)	(1.0)	(0.2)	(1.3)	(0.5)
Basic ($ per share)	0.07	0.07	(0.02)	(0.31)	(0.08)	(0.01)	(0.11)	(0.04)
Fully diluted ($ per share)	0.07	0.07	(0.02)	(0.31)	(0.08)	(0.01)	(0.11)	(0.04)
Work-in-Hand	307.8	294.8	299.8	251.5	338.4	347.0	298.5	313.7
Working Capital	23.4	14.9	3.4	3.0	9.9	13.0	15.2	17.6
Shareholders' Equity	37.9	36.5	24.7	24.9	28.6	29.5	29.2	30.5
Book Value ($ per share)	2.15	2.07	2.02	2.03	2.34	2.41	2.46	2.57

The business is generally affected by seasonal fluctuations such that the latter two quarters of the year tend to generate higher revenue. Notwithstanding this assertion, revenue has increased in the last quarter of 2004 and the first three quarters of 2005, indicating a general improvement in the Corporation's markets as well as a result of the additional revenue from projects executed at the new modular fabrication facility.

Current contract income margins can be influenced by bidding, procurement, and contracting activity that occurred in a prior period and the economic circumstances that may have existed in these prior periods may be significantly different than the current environment. The increase in contract income in 2005 relative to 2004 reflects a return by the Corporation to its traditional levels of contract margins.

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 increase in revenue is due in part to larger indirect and administrative costs. These costs included $0.6 million for outside consultants and $0.3 million related to the Special Committee of the Board of Directors. The additional costs were mainly incurred with regard to the review and design of process improvements in respect to the industrial operations and the fabrication plant, as well as the sourcing of new capital for the Corporation. The Special Committee also provided interim management to the Corporation during that period. The work of the Special Committee was completed in the second quarter of 2005 and as a result only minor costs for this committee were incurred in the third quarter of 2005.

Work-in-hand increased during the first quarter of 2005, from that at year-end 2004, due to a large amount of new work secured by the Corporation's industrial businesses. However, the overall work-in-hand for the Corporation was still low relative to past quarters due primarily to a lower level 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. During the second quarter of 2005, work-in-hand increased for Stuart Olson as contracts were secured for many of these projects, while the industrial companies' backlog reduced as many of their projects moved into the construction phase. By the third quarter of 2005, the majority of the delayed projects for all of the companies had progressed into construction.

Working capital was reduced during the fourth quarter of 2004 and the first quarter of 2005, principally as a result of a reclassification of $6.6 million of long-term debt to current liabilities in 2004 ($6.0 million in the first quarter and $5.4 million in the second quarter of 2005), as well as operational losses and capital expenditures incurred with respect to the modular fabrication facility in 2004. The increase in working capital realized in the second quarter of 2005 was primarily due to the proceeds from the issuance of new share capital through the private placement of $10.6 million for 5.3 million of new Common Shares. In the third quarter of 2005 the Corporation arranged for a new banking facility that resulted in the reclassification of $7.0 million of current liabilities to long-term debt providing a further increase in working capital.

RESULTS OF OPERATIONS

For the three months ended September 30, 2005, Churchill realized net earnings of $1.3 million (2004 – net loss of $1.0 million) on revenue of $120.6 million (2004 – $82.6 million), or net earnings per Common Share of $0.07 (2004 – net loss per Common Share of $0.08). The increase in profitability in the third quarter, as compared to the same period in 2004, is a result of increased revenue and improvement in operational performance.

For the nine months ended September 30, 2005, Churchill realized net earnings of $2.1 million (2004 – net loss of $2.5 million) on revenue of $341.0 million (2004 – $232.9 million), or net earnings per Common Share of $0.14 (2004 – net loss per Common Share of $0.20).

Buildings

Stuart Olson had work-in-hand of $168.3 million at June 30, 2005. For the three months ended September 30, 2005 the company secured a further $52.9 million of contracts, and executed and took into revenue $54.6 million. The company had $166.6 million of work-in-hand at September 30, 2005, of which $104.1 million is expected to carry over into 2006.

Stuart Olson's revenue for the three months ended September 30, 2005 was $54.6 million, as compared to $61.8 million for the same period in 2004. Earnings before taxes decreased to $1.2 million in the third quarter of 2005 from $1.6 million in the third quarter of 2004. The reduction was primarily the result of lower revenue compared to the prior year.

For the nine months ended September 30, 2005 Stuart Olson realized earnings before taxes of $2.1 million on contract revenue of $167.4 million, compared to earnings before taxes of $1.3 million on revenue of $177.5 million for the nine months ended September 30, 2004. The increased level of earnings relative to lower revenue on a year over year basis is primarily a result of higher margin work in 2005. This is a reflection of improvement in the company's markets as well as increased operating efficiency through systems and process enhancements.

Industrial General Contracting

Triton had work-in-hand of $38.9 million at June 30, 2005. For the three months ended September 30, 2005 the company secured a further $26.6 million of contracts, and executed $24.5 million. Triton had $41.0 million of work-in-hand at September 30, 2005, of which $20.2 million is expected to carry over into 2006.

Triton's revenue for the three months ended September 30, 2005 was $24.5 million, up from $10.5 million for the three months ended September 30, 2004. Triton's loss before taxes for the three months ended September 30, 2005 was $0.9 million, compared to a loss before taxes of $1.4 million for the same period last year. While 2005 third quarter revenue was significantly higher than amounts realized in the corresponding period in 2004, to date this has not brought about a return to profitable operations. Notwithstanding the increased productivity at the fabrication plant due to improvements in its systems and processes, the planned restrictions in the level of activity resulted in the facility incurring an overall operating loss in the quarter. This is discussed further in the Risks and Risk Management section of this report. In addition, Triton encountered significant contractual and project execution issues in the quarter in respect of one of its larger construction projects resulting in a substantial reduction in realized contract margin.

For the nine months ended September 30, 2005, Triton realized earnings before taxes of $0.6 million on contract revenue of $69.4 million, compared to a loss before taxes of $2.2 million on contract revenue of $21.1 million for the nine months to September 30, 2004. The large increase in revenue compared to the same period in 2004 is an indication of the improvement in the company's markets as more of the oil sands industrial projects have moved into the construction phase as well as revenue produced in the 2005 period from fabrication plant projects. A portion of the improvement realized in 2005 relates to earnings before taxes of $1.3 million in the second quarter, and a further $0.4 million in the third quarter, associated with the resolution of a contractual settlement on a fabrication contract completed early in 2005.

Industrial Insulation Contracting

Fuller Austin and Northern Industrial Insulation had combined work-in-hand of $14.2 million at June 30, 2005. For the three months ended September 30, 2005 they secured a further $45.5 million of contracts, and executed $20.9 million. The companies had $38.8 million of work-in-hand at September 30, 2005, of which $17.3 million is expected to carry over into 2006.

Revenue for the three months ended September 30, 2005 was $20.9 million, compared to $8.6 million for the three months ended September 30, 2004. Earnings before taxes were $1.5 million for the three months ended September 30, 2005, compared to earnings before taxes of $0.1 million for the same period last year. The primary reason for the increase in earnings was the large revenue increase in 2005. New large oil sands contracts secured by Fuller Austin, which were anticipated to commence in the first two quarters of 2005, were deferred due to client generated delays and scope revisions. This project work shifted to the third quarter of 2005 and resulted in a high level of activity for the period that is expected to carry forward throughout the balance of 2005 and early 2006.

For the nine months ended September 30, 2005 the insulation companies realized earnings before taxes of $1.2 million on contract revenue of $46.2 million, compared to earnings before taxes of $1.4 million on revenue of $25.3 million for the nine months to September 30, 2004. Lower margins were expected on the large oil sands contracts in 2005, due to the nature of the particular contracts. Delays in start-up and site progress on these projects caused lower than expected revenue for the first half of 2005 and accordingly lower contract income for that period. This delayed work has now progressed into construction.

Industrial Electrical Contracting

Laird had work-in-hand of $73.4 million at June 30, 2005. For the three months ended September 30, 2005 the company secured a further $9.4 million of contracts, and executed $21.3 million. Laird had $61.5 million of work-in-hand at September 30, 2005, of which $44.6 million is expected to carry over into 2006.

For the three months ended September 30, 2005, Laird's revenue was $21.3 million, up significantly from $3.0 million for the same period last year. The company continues to operate at one of the highest levels of activity in its history. Laird was awarded a large contract in January 2005 for its major client in Fort McMurray. This work, which commenced in the second quarter and was substantially completed in the third quarter, has had a positive effect on revenue and earnings. Laird realized earnings before taxes of $0.8 million for the three months ended September 30, 2005, compared to a loss before taxes of $0.9 million for the same period last year.

For the nine months ended September 30, 2005 Laird realized earnings before taxes of $1.9 million on contract revenue of $60.3 million, compared to a loss before taxes of $1.5 million on revenue of $14.0 million for the nine months to September 30, 2004. The majority of the company's revenue and work-in-hand for 2005 was generated from oil sands projects in its core Fort McMurray market. This is an indication of the escalation of work in that region which is expected to continue for a number of years. Maintenance work in the plants accounted for approximately 75% of Laird's revenue in the third quarter.

Corporate and Other

For the three months ended September 30, 2005, the Corporate and Other segment incurred $0.7 million of indirect and administrative expenses including net interest costs, as compared to $0.9 million for the three months ended September 30, 2004. The decrease in the indirect and administrative expenses on a year over year basis was primarily related to improvements in operating efficiencies resulting from the corporate restructuring that occurred earlier in 2005.

For the nine months ended September 30, 2005, the Corporate and Other segment incurred $2.5 million of indirect and administrative expenses including net interest costs, as compared to $2.4 million for the same period in 2004. The 2005 expenses included recruiting and severance costs for senior officer changes. Also included were the costs of consultants and the Special Committee of the Board of Directors. Their mandate was to review and design process improvements for the industrial operations and the fabrication plant, as well as the sourcing of new capital for the Corporation. The Special Committee also provided interim management to the Corporation. These costs were primarily incurred in the first two quarters of 2005.

CASH FLOW, FINANCING, CAPITAL REQUIREMENTS, LIQUIDITY

The Corporation's working capital position at September 30, 2005 was $23.4 million, up substantially from $9.9 million at September 30, 2004 and $14.9 million at June 30, 2005.

In order to increase the level of working capital, the Corporation finalized an arrangement for additional equity funding of $10.6 million on April 25, 2005. This was reported in prior periods as well as in the Material Change Report filed with the TSX on April 22, 2005. The arrangement included the issuance of 5,323,000 of new Common Shares in a private placement.

As part of its working capital restructuring program, the Corporation completed a new banking facility arrangement in the third quarter. This arrangement provided a $7.8 million term loan to replace the Corporation's previous term and acquisition loans as well as to extend the repayment period. An operating line of credit of $12.0 million was provided to replace the temporary facility arranged in June 2005 and the agreement allowed for the release of $4.0 million of term deposits previously held as security. The effect of this new banking arrangement was to increase the working capital by $7.0 million in the quarter. The Corporation is in compliance with its bank debt covenants as a result of its return to profitability combined with the additional equity funding.

Working capital increased by $8.5 million during the quarter. This increase was primarily due to $7.0 million of debt refinancing outlined above and $1.3 million generated from net earnings.

Capital expenditures for the three months ended September 30, 2005 were $0.5 million. Replacing and expanding the vehicle fleet accounted for the majority of these expenditures.

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 $37.9 million at September 30, 2005, as compared to $28.6 million at September 30, 2004 and $36.5 million at June 30, 2005. Contributed surplus increased $18 thousand during the three months ended September 30, 2005 as a result of the accrual of stock-based compensation. Retained earnings increased during the third quarter from $16.0 million at June 30, 2005 to $17.3 million at September 30, 2005, reflecting the net earnings for the quarter.

The Corporation had 17,649,686 Common Shares outstanding as at September 30, 2005 (June 30, 2005 – 17,594,686 Common Shares). During the quarter options to acquire 55,000 Common Shares were exercised for cash.

During the quarter 100,000 new performance related options were issued to the President and CEO at an exercise price of $2.80. Vesting of any or all of these options will be at the sole discretion of the Board of Directors based on the achievement of certain performance goals. There were 626,000 options convertible to Common Shares outstanding as at September 30, 2005.

As at October 26, 2005, the Corporation has outstanding 17,649,686 Common Shares and 626,000 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 monitors this information to assist in managing various mid-term aspects of its business. Significant downward movement in oil or gas commodity prices could lead to project delays or cancellations, while significant upward movement could lead to clients seeking to accelerate the project schedule. Either movement could put pressure on the Corporation'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 in the preconstruction phase can lead to a project delay. Stuart Olson participates in design-build projects whereby it assumes the additional risk of design-related flaws or failures. This risk is reduced by utilizing external consultants for the design component as well as by the purchase of appropriate insurance protection. Delays and/or design remediation work could result in additional contract costs that may not be reimbursed by the client.

Churchill's operating companies are often required to provide performance bonds as assurance against contract completion. As a result of the recent worldwide reduction in surety and reinsurance capacity, the Corporation is continually monitoring the bonding and surety market. Churchill has an on-going relationship with its surety company. The agreements with its surety are renewed every two years and negotiations are currently underway. Should any revision in these agreements result in a reduction in bonding capacity, then this could limit growth as well as potentially having an adverse affect on the on-going operations.

Once a project has begun, the project management team monitors estimating, procurement, project execution, and contract terms. All of these risks are controllable by management. The Corporation 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 both the Corporation's operating companies' and their subcontractors' work forces. In certain of the companies, the labour force is unionized, creating the possibility of labour disruptions if collective agreements cannot be negotiated as they come due.

As the industrial market is expanding rapidly in Alberta, general shortages of tradesmen and management personnel are occurring and are expected to continue for several years. These shortages may cause limits on the growth of Churchill's businesses and could potentially affect contract margins.

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. Plant through-put has been restricted in 2005 under a planned reduction program until sufficient progress has been achieved. Results to date indicate improved productivity and performance in respect of the facility; however the company has not yet increased work volume and is operating below capacity. Management expects to increase work volume slowly to ensure productivity and performance levels remain sufficiently high.

Churchill's industrial operations generally require a higher level of working capital due to a larger manpower workforce on projects. The Corporation's ability to obtain additional capital is a significant factor in achieving its strategy of expansion in the industrial market. A shortfall of working capital would limit this growth and reduce the industrial revenue potential.

Late in 2004 it was identified that additional working capital was necessary to support operations and satisfy the requirements of the Corporation's various stakeholders. To address these working capital needs, new equity of $10.6 million was placed in the second quarter and a new banking facility was arranged in the third quarter. The banking arrangement, as described above, provides an operating line of credit of $12.0 million to replace the temporary facility arranged in June 2005, as well as providing for the release of $4.0 million of term deposits previously held as security. As well, it includes a replacement of the Corporation's previous term loans with a new term loan requiring lower annual payments. This restructuring has resulted in an increase in the Corporation's working capital.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

OUTLOOK

During the three months ended September 30, 2005, Churchill secured a further $133.8 million of contracts and executed and took into revenue $120.6 million of work, net of inter-segment revenue. At September 30, 2005 the Corporation had $307.8 million of work-in-hand, of which $186.2 million is expected to carry forward into 2006.

The Corporation's markets are providing excellent opportunities to replace work that is completed as well as to provide growth. Churchill is achieving steady operational improvements although still experiencing challenges with Triton and the fabrication facility. These segments are showing progress, however, still require further time to complete the planned turn-around. Labour shortages are occurring in the Alberta market and will continue to create a further challenge in the coming periods for all of Churchill's companies.

The Corporation continues to make significant progress in its capital restructuring program and financing arrangements. This restructuring, combined with the earnings success to date in 2005, has created a much stronger company, better able to move forward in the expanding market.

NOTICE

The September 30, 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 Third 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 Third Quarter Report, and the Management's Discussion and Analysis for the period ending September 30, 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)	September 30 2005	December 31 2004	September 30 2004
ASSETS			
Current assets			
Cash and equivalents (note 3)	**$ 13,778**	$ 11,719	$ 14,002
Term deposit (note 9)	**-**	4,000	-
Accounts receivable (note 4)	**90,485**	77,325	74,454
Inventories and prepaid expenses	**2,770**	1,663	2,320
Properties for sale (note 5)	**1**	103	103
Income taxes recoverable	**27**	954	-
Future income tax assets	**618**	1,921	1,765
	107,679	97,685	92,644
Future income tax assets	**465**	549	452
Property and equipment (note 6)	**15,852**	15,528	14,618
Intangible assets (note 7)	**57**	231	289
Refundable deposit	**1,000**	1,000	1,000
Goodwill	**7,315**	7,315	7,315
	$ 132,368	$ 122,308	$ 116,318
LIABILITIES			
Current liabilities			
Bank indebtedness (note 8)	**$ 8,282**	$ -	$ -
Accounts payable	**63,867**	67,363	56,346
Income taxes payable	**-**	-	1,731
Contract advances and unearned income	**10,852**	17,937	22,772
Current portion of long-term debt (note 9)	**1,325**	9,358	1,878
	84,326	94,658	82,727
Long-term debt (note 9)	**9,443**	1,849	4,686
Future income tax liabilities	**740**	935	350
	94,509	97,442	87,763
SHAREHOLDERS' EQUITY			
Share capital	**15,069**	4,289	4,265
Contributed surplus	**5,467**	5,378	5,380
Retained earnings	**17,323**	15,199	18,910
	37,859	24,866	28,555
	$ 132,368	$ 122,308	$ 116,318

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

CONSOLIDATED STATEMENTS OF EARNINGS

($ thousands, except per share amounts)	Three months ended September 30 (Unaudited) 2005	2004	Nine months ended September 30 (Unaudited) 2005	2004
Contract revenue	**$ 120,608**	$ 82,642	**$ 341,040**	$ 232,862
Contract costs	**110,958**	77,284	**313,680**	216,759
Contract income	**9,650**	5,358	**27,360**	16,103
Interest income	**52**	117	**217**	337
Sundry income	**113**	11	**423**	222
Indirect and administrative expenses	**(6,827)**	(5,859)	**(21,940)**	(17,362)
Depreciation and amortization	**(756)**	(957)	**(2,034)**	(2,466)
Interest expense	**(252)**	(132)	**(748)**	(373)
Earnings (loss) before income taxes	**1,980**	(1,462)	**3,278**	(3,539)
Income tax recovery (expense):				
Current income tax	**3**	480	**38**	223
Future income tax	**(705)**	-	**(1,192)**	858
	(702)	480	**(1,154)**	1,081
Net earnings (loss)	**$ 1,278**	$ (982)	**2,124**	$ (2,458)
Net earnings (loss) per common share (note 11)				
Basic	**$ 0.07**	$ (0.08)	**$ 0.14**	$ (0.20)
Fully diluted	**$ 0.07**	$ (0.08)	**$ 0.14**	$ (0.20)

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

($ thousands)	Three months ended September 30 (Unaudited) 2005	2004	Nine months ended September 30 (Unaudited) 2005	2004
Retained earnings, beginning of period	**$ 16,045**	$ 19,892	**$ 15,199**	$ 21,383
Net earnings (loss)	**1,278**	(982)	**2,124**	(2,458)
Share redemption in excess of stated capital	**-**	-	**-**	(15)
Retained earnings, end of period	**$ 17,323**	$ 18,910	**$ 17,323**	$ 18,910

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

CONSOLIDATED STATEMENTS OF NET CASH FLOW

	Three months ended September 30 (Unaudited)		Nine months ended September 30 (Unaudited)	
($ thousands)	**2005**	2004	**2005**	2004
OPERATING ACTIVITIES				
Net earnings (loss)	**$ 1,278**	$ (982)	**$ 2,124**	$ (2,458)
Non-cash items				
Depreciation and amortization	**756**	957	**2,034**	2,466
Gain on disposal of property for sale	**-**	-	**(210)**	-
Gain on disposal of equipment	**(3)**	(1)	**(8)**	(57)
Future income taxes	**705**	(1,974)	**1,192**	(2,832)
Stock-based compensation	**18**	26	**89**	76
	2,754	(1,974)	**5,221**	(2,805)
Net change in accounts receivable, inventories and prepaid expenses	**(11,221)**	(13,180)	**(14,267)**	(7,851)
Net change in accounts payable, contract advances and unearned income	**9,183**	8,370	**(10,581)**	16,715
Net change in income taxes payable	**176**	2,684	**927**	626
	892	(4,100)	**(18,700)**	6,685
INVESTING ACTIVITIES				
Proceeds from agreement receivable	**-**	-	**-**	138
Proceeds on disposal of property for sale	**-**	-	**312**	-
Proceeds on disposal of equipment	**6**	16	**16**	128
Additions to property and equipment	**(538)**	(2,539)	**(2,192)**	(7,092)
	(532)	(2,523)	**(1,864)**	(6,826)
FINANCING ACTIVITIES				
Issuance of short-term debt (note 8)	**-**	-	**7,000**	-
Issuance of common shares (note 10)	**90**	-	**3,780**	474
Issuance of long-term debt	**8,004**	272	**8,993**	494
Repayment of long-term debt	**(8,005)**	(588)	**(9,432)**	(1,429)
Redemption of term deposit	**4,000**	-	**4,000**	
Redemption of common shares	**-**	-	**-**	(18)
	4,089	(316)	**14,341**	(479)
Increase (decrease) in cash	**4,449**	(6,939)	**(6,223)**	(620)
Net cash, beginning of period	**1,047**	20,941	**11,719**	14,622
Net cash, end of period	**$ 5,496**	$ 14,002	**$ 5,496**	$ 14,002

Net cash is comprised of:				
Cash	**$ 13,778**	$ 14,002	**$ 13,778**	$ 14,002
Bank indebtedness	**(8,282)**	-	**(8,282)**	-
	$ 5,496	$ 14,002	**$ 5,496**	$ 14,002

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 in respect of the preparation of these interim financial statements 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 material 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 material impact on these 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 financial losses during the previous two years, 2003 and 2004, and the acquisition of capital assets related to pursuing growth in the industrial businesses, available working capital was significantly reduced. The impact of the working capital deficiency required that the Corporation reclassify its bank debt to current as a result of being offside with the terms of its bank covenants.

During the year, the Corporation took several steps to improve its liquidity and working capital position and restore its financial stability. These steps include entering into two private placement agreements for proceeds of $10.6 million (Note 10), refinancing the debt of the Corporation (Note 9) and restoring profitable 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, given management's belief that the proceeds from the private placements, the refinancing of its debt obligations and the restoration of profitability have restored the financial stability of the Corporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. ***Cash***

($ thousands)

Cash includes $7,139 (December 31, 2004 - $10,477; September 30, 2004 - $7,310) which is restricted under the British Columbia Lien Act to the payment of direct costs related to specific construction projects. Cash balances of $119 (December 31, 2004 - $13; September 30, 2004 - $60) are in joint venture accounts.

4. ***Accounts Receivable***

($ thousands)

Accounts receivable are comprised of:

	September 30 2005	December 31 2004	September 30 2004
Trades receivable	**$ 68,453**	$ 60,101	$ 59,393
Holdback	**19,894**	14,568	12,884
Other	**2,138**	2,656	2,177
	$ 90,485	$ 77,325	$ 74,454

5. ***Properties for Sale***

($ thousands)

	September 30 2005	December 31 2004	September 30 2004
Undeveloped land	**$ 469**	$ 647	$ 647
Less cumulative valuation adjustments	**(468)**	(544)	(544)
	$ 1	$ 103	$ 103

6. ***Property and Equipment***

($ thousands)

			September 30 2005	December 31 2004	September 30 2004	
	Cost	**Accumulated Depreciation**	**Net Book Value**	Net Book Value	Net Book Value	Depreciation Rates
Land	$ 3,437	$ 63	$ 3,375	$ 3,343	$ 2,758	4%
Buildings and improvements	9,215	3,138	6,077	7,357	6,838	4% - 30%
Vehicles and equipment	22,166	15,765	6,401	4,828	5,021	6% - 100%
	$ 34,818	$ 18,966	$ 15,852	$ 15,528	$ 14,618	

7. ***Intangible Assets***

($ thousands)

			September 30 2005	December 31 2004	September 30 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	**943**	**57**	231	289	36 months
	$ 1,550	**$ 1,493**	**$ 57**	$ 231	$ 289	-

8. ***Bank Indebtedness***
($ thousands, except per share amounts)

The bank indebtedness is comprised of an operating line of credit with a maximum availability of $12,000. The line of credit bears interest at prime plus 1.0%. 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).

In contemplation of a pending private placement, on April 25, 2005, the Corporation received short-term funding of $7,000 (Note 10) at 9%, repayable on July 31, 2005. Upon shareholder approval, the balance of the $7,000 loan outstanding was converted to Common Shares at $2.00 per share. The conversion of the loan was treated as a non-cash item for the purposes of the consolidated statements of net cash flow.

The existing operating line of credit was finalized in September 2005. The Corporation is in the process of transitioning all of its operating bank accounts to the new lender. Until this process is complete, cash balances in accounts with the previous lender will not be available to be offset against the line of credit for financial reporting purposes. The effect of which as at September 30, 2005 is an increase in cash and cash equivalents by $6,520 with a corresponding increase in bank indebtedness.

At September 30, 2005, the total maximum available operating line of credit of $12,000 was reduced by $540 in conjunction with the issuance of irrevocable letters of credit provided as general security in respect of specific contracts. The letters of credit expire in 2006 and are renewable annually.

9. ***Long-term Debt***
($ thousands)

	September 30	December 31	September 30
	2005	2004	2004
Capital loan	**$ 7,735**	$ -	$ -
Term loan	**-**	3,800	-
Mortgage payable	**1,266**	1,292	-
Acquisition loan	**-**	5,200	5,600
Finance contracts and capital leases	**1,767**	915	964
	10,768	11,207	6,564
Less current portion	**(1,325)**	(9,358)	(1,878)
	$ 9,443	$ 1,849	$ 4,686

On September 7, 2005, the Corporation completed a debt-refinancing package. Under the terms of the new agreement, the lender provided a $7,800 ten-year term loan ("capital loan") and a $12,000 operating loan (Note 8).

The proceeds of the September 7, 2005 long-term financings were used to repay the term loan ($3,200) and the acquisition loan ($4,000), with the balance ($600) going to working capital. In addition, a $4,000 term deposit posted as security for these facilities was released as part of the refinancings.

The capital loan is secured by a mortgage on the modular fabrication facility and a mortgage on two of the Corporation's properties as well as general security agreements and unlimited guarantees from the Corporation and its wholly owned subsidiaries. The loan bears interest at prime plus 1.25% per annum. Principal repayments are $65 per month plus interest with the final payment due August, 2015.

In October 2004, the Corporation placed a $1,300, five year mortgage on one of its properties. The mortgage matures on 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

The term and acquisition loans bore interest at prime plus 1.25%.

Interest expense on long-term debt during the nine months ended September 30, 2005 was $629 (September 30, 2004 - $275)

The new capital 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 and leverage. At September 30, 2005, the Corporation was in compliance with its debt covenants.

10. ***Share Capital***

($ thousands, except share and per share amounts)

	Nine months ended September 30			
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
New shares issued	**5,323,000**	**10,646**	-	$ -
Shares repurchased and cancelled	**-**	**-**	(7,300)	(3)
Stock options exercised	**88,334**	**134**	367,000	474
Issued, at September 30	**17,649,686**	**$ 15,069**	12,223,352	$ 4,265

During the quarter, 100,000 options were issued with an exercise price of $2.80 and 55,000 options were exercised.

As at September 30, 2005 the Corporation had outstanding 626,000 options convertible into Common Shares. (December 31, 2004 – 564,334; September 30, 2004 – 679,334).

On May 12, 2005, the shareholders approved the terms of two private placement agreements totaling 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 (Note 8) respectively.

11. ***Net Earnings (loss) per Common Share***

($ thousands, except per share amounts)

	Nine months ended September 30	
	2005	2004
Net earnings (loss)	**$ 2,124**	$ (2,458)
Weighted average number of common shares outstanding	**15,048,320**	12,056,363
Incremental number of shares under treasury stock method	**108,182**	134,327
	15,156,502	12,190,690
Net earnings (loss) per common share:		
Basic	**$ 0.14**	$ (0.20)
Fully Diluted	**$ 0.14**	$ (0.20)

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.

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

Three months ended Sept.30, 2005	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	$ 54,557	$ 1,209	$ 148	$ -	$ 64,281	$ 113
Industrial General Contracting	24,503	(882)	207	7,315	6,887	115
Industrial Insulation Contracting	20,885	1,485	98	-	10,095	27
Industrial Electrical Contracting	21,255	825	143	7,315	13,475	250
Corporate and Other	-	(659)	96	-	37,630	34
Inter-segment Adjustments	(592)	2	64	-	-	(1)
	$ 120,608	$ 1,980	$ 756	$ 14,630	$ 132,368	$ 538

Three months ended Sept.30, 2004	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	$ 61,791	$ 1,552	$ 171	$ -	$ 73,890	$ 65
Industrial General Contracting	10,460	(1,392)	218	-	8,393	285
Industrial Insulation Contracting	8,612	115	116	-	7,922	10
Industrial Electrical Contracting	2,940	(900)	340	7,315	10,682	16
Corporate and Other	-	(888)	112	-	15,431	2,163
Inter-segment Adjustments	(1,161)	51	-	-	-	-
	$ 82,642	$ (1,462)	$ 957	$ 7,315	$ 116,318	$ 2,539

Nine months ended Sept.30, 2005	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	$ 167,385	$ 2,127	$ 435	$ -	$ 64,281	$ 298
Industrial General Contracting	69,356	617	537	-	6,887	310
Industrial Insulation Contracting	46,197	1,156	307	-	10,095	59
Industrial Electrical Contracting	60,298	1,926	281	7,315	13,475	1,306
Corporate and Other	-	(2,520)	290	-	37,630	202
Inter-segment Adjustments	(2,196)	(28)	184	-	-	17
	$ 341,040	$ 3,278	$ 2,034	7,315	$ 132,368	$ 2,192

Nine months ended Sept.30, 2004	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	$ 177,532	$ 1,282	$ 508	$ -	$ 73,890	$ 326
Industrial General Contracting	21,094	(2,236)	645	-	8,393	691
Industrial Insulation Contracting	25,329	1,431	345	-	7,922	162
Industrial Electrical Contracting	14,023	(1,498)	776	7,315	10,682	302
Corporate and Other	-	(2,418)	192	-	15,431	5,611
Inter-segment Adjustments	(5,116)	(100)	-	-	-	-
	$ 232,862	$ (3,539)	$ 2,466	$ 7,315	$ 116,318	$ 7,092

13. *Subsequent Events*

On October 12, 2005, the Corporation issued an irrevocable letter of credit for $1,300 as general security in respect of specific contracts. This issuance reduces the Corporation's available operating line of credit.

14. *Comparative Figures*

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

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