

FIRST QUARTER REPORT

March 31, 2006

REPORT TO SHAREHOLDERS

Your Corporation achieved its fourth consecutive quarter of positive earnings during the first quarter of 2006. The first quarter historically has been the slowest quarter in terms of activity in our business due to the impact of winter weather conditions on productivity, as well as seasonal client delays in new project start-up and plant maintenance work. Although earnings were lower than recent quarters, they were significantly higher than the previous year's first quarter and were within our expectations.

Revenue was \$111.8 million as compared to \$101.6 million in the first quarter of 2005. Net income was \$0.6 million in the quarter compared with a net loss of \$0.2 million in the comparable period in 2005. Three of our four operating companies were profitable in the quarter.

Churchill's backlog of work-in-hand was \$313.1 million, as compared to \$299.8 million in the first quarter of 2005 and an increase of \$65.9 million from \$247.2 million at December 31, 2005. This increase is an indication that 2006 will present significant new work opportunities.

Stuart Olson experienced a strong quarter with \$58.2 million of revenue and \$0.9 million of earnings before tax. Stuart Olson benefited from a number of infrastructure projects moving into construction and existing projects experiencing scheduling improvements. The backlog at Stuart Olson increased by \$63.0 million compared to the first quarter of 2005 as a number of new contracts were secured.

Our insulation companies continued with the high level of activity reached in the latter half of last year with revenue of \$22.6 million as compared to \$11.4 million in the first quarter of 2005. Much of this revenue was from a continuation of Fuller Austin's large project for a major oil sands producer in the Fort McMurray region. Improvement in Fuller Austin's markets in Saskatchewan and Manitoba also contributed to this increase. Northern Industrial had the highest level of work-in-hand in its history for a first quarter as the company secured new contracts for oil sands related projects.

Laird's revenue was \$13.8 million as compared to \$16.6 million in the first quarter of 2005. The 2005 revenue was influenced by the additional activity generated through rebuild work after a major fire in a client's oil sands plant. A number of the company's clients do not initiate their maintenance contracts until the second quarter so accordingly this first quarter slowdown was expected. The decreased revenue contributed to the loss at Laird this quarter. Laird also carried higher overhead associated with staffing levels necessary to support new contracts secured for work to be executed during the balance of the year. Although Laird experienced a slow quarter, work-in-hand is strong and the Fort McMurray industrial market continues to provide many opportunities.

Triton achieved earnings before tax of \$0.9 million on revenue of \$17.3 million as compared to \$0.1 million on \$18.5 million in the first quarter of 2005. Although profitable this quarter, a significant portion of the company's earnings for the quarter was related to recoveries on close out of contract work completed in 2005. The Triton fabrication plant incurred a loss due to operating at a restricted level of activity.

Our markets remain strong in western Canada, primarily driven by the strong infrastructure and commercial activity in Alberta and British Columbia, combined with the significant oil sands construction work in Alberta. We continue to examine opportunities to secure additional funding in order to take advantage of the many growth opportunities. The vibrancy of this market is accompanied by challenges of client delays, competition, and a shortage of skilled labour. We expect our level of activity to increase as the year progresses and look forward to continuing improvement in results.

May 5, 2006



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 May 5, 2006, should be read in conjunction with the unaudited Consolidated Financial Statements and related notes, and the Report to Shareholders contained in this 2006 First Quarter Report, as well as the audited consolidated financial statements and related notes, MD&A and Report to Shareholders contained in the Corporation's 2005 Annual Report.

Except as discussed below, all other factors referred to and discussed in the MD&A for fiscal 2005 remain substantially unchanged.

ACCOUNTING POLICIES

Churchill continues to use the same accounting policies and methods as described in the December 31, 2005 Consolidated Financial Statements, except for the adoption of the following new CICA Accounting Recommendations and Emerging Issues Committee's abstract:

Non-Monetary Transactions – Effective January 1, 2006, the Corporation adopted the amended recommendations of CICA Handbook Section 3831 *Non-monetary transactions*, (formerly Section 3830 of the same title) effective for annual or interim periods beginning on or after January 1, 2006. Section 3831 requires all non-monetary transactions be measured at fair value unless certain conditions are satisfied. The Corporation has determined that there is no material impact on the consolidated financial statements from the adoption of Section 3831.

Implicit Variable Interests – Effective January 1, 2006, the Corporation adopted the Emerging Issues Committee's Abstract 157 *Implicit Variable Interests under AcG - 15 (EIC 157)*. The EIC requires that the Corporation address whether any implicit or potential variable interests exists when specific conditions exist and account for them in accordance with the CICA Handbook Accounting Guideline 15 (AcG – 15) – *Consolidation of Variable Interest Entities*. The Corporation has determined that there is no impact on the consolidated financial statements from the adoption of EIC 157.

TERMINOLOGY

Throughout this 2006 First 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", "work-in-hand" and "working capital" 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.

Working capital is current assets less current liabilities excluding that portion relating to any demand term loan which is scheduled to be repaid beyond one year.

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 2005 Annual Report, management has identified the Corporation's most critical accounting estimates to be in the areas of revenue recognition, goodwill impairment, income tax provisions and accounts receivable collectability. No new critical accounting estimates have been identified during the three months ended March 31, 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

	Years ended December 31		
(\$ millions, except where noted)	2005	2004	2003
Contract Revenue	\$ 479.8	\$ 334.6	\$ 319.4
Net (Loss) Earnings	3.8	(6.2)	(3.7)
Net (Loss) Earnings per common share			
Basic (\$ per share)	0.24	(0.51)	(0.31)
Fully Diluted (\$ per share)	0.24	(0.51)	(0.31)
Total Assets	144.1	122.3	102.8
Total long-term financial liabilities	2.3	1.8	5.6
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; and for the year ended December 31, 2005 was \$79.8 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.

(3) The Corporation's long-term debt increased during 2004 by \$4.0 million in order to finance the construction and operations of a new modular fabrication facility. In 2004, the Corporation was not in compliance with certain debt covenants and consequently reclassified \$6.6 million of long-term debt to a current liability. In 2005, the Corporation finalized an arrangement for additional equity funding. The arrangement included the issuance of 5,323,000 of new Common Shares in a private placement for \$10.6 million.

QUARTERLY FINANCIAL INFORMATION

(\$ millions, except per share data and percentages)

	2006	2005				2004		
	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30
Contract Revenue	\$111.8	\$138.8	\$ 120.6	\$ 118.8	\$ 101.6	\$ 101.8	\$ 82.6	\$ 77.3
Contract Income	9.7	12.4	9.7	10.4	7.3	1.9	5.4	6.2
Contract Income - %	8.7%	8.9%	8.0%	8.8%	7.1%	1.9%	6.5%	8.0%
Net Earnings(Loss)	0.6	1.6	1.3	1.1	(0.2)	(3.7)	(1.0)	(0.2)
Basic (\$ per share)	0.03	0.09	0.07	0.07	(0.02)	(0.31)	(0.08)	(0.01)
Fully diluted (\$ per share)	0.03	0.09	0.07	0.07	(0.02)	(0.31)	(0.08)	(0.01)
Work-in-Hand	313.1	247.2	307.8	294.8	299.8	251.5	338.4	347.0
Working Capital*	21.3	25.1	23.4	14.9	3.4	3.0	9.9	13.0
Shareholders' Equity	40.8	40.2	37.9	36.5	24.7	24.9	28.6	29.5
Book Value (\$ per share)	2.28	2.25	2.15	2.07	2.02	2.03	2.34	2.41

*Working Capital is defined as current assets less current liabilities excluding that portion relating to any demand term loan which is scheduled to be repaid beyond one year.

The preceding quarterly information is impacted by the following items:

(1) Revenue increased in the last quarter of 2004 and the four 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 fabrication facility.

(2) Increased revenue in the first quarter of 2006 compares favorably with the first quarter of 2005 and reflects generally improved market conditions. First quarter revenue in 2006 is lower than the fourth quarter of 2005 due to seasonal fluctuations and lower revenue in Triton's fabrication facility.

(3) The increase in contract income in 2005 and 2006 relative to 2004 reflects an improving market resulting in higher revenue and a return by the Corporation to its historic levels of contract margins.

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

(5) Contract income in the second quarter of 2005 included \$1.3 million related to a contractual settlement on a fabrication project executed by Triton. A further \$0.4 million in contract income related to this settlement was realized in the third quarter of 2005.

(6) In the first and second quarters of 2005 the Corporation incurred additional indirect and administrative costs. These costs included \$0.6 million for outside consultants and \$0.4 million related to a 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 substantially completed in the second quarter of 2005.

(7) Contract income in the first quarter of 2006 was negatively impacted by losses at the fabrication plant and additional administration costs related to systems improvements and process re-engineering of the industrial companies.

(8) 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.

(9) Working capital was reduced during the fourth quarter of 2004 and the first and second quarters of 2005, principally as a result of a reclassification of \$6.6 million of long-term debt with covenant violations 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 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, with which the Corporation was in compliance with the required debt covenants as at December 31, 2005.

(10) Working capital was reduced in the first quarter of 2006 as a result of \$4.0 million of cash being classified as a long term asset due to agreements related to a restriction in its use.

RESULTS OF OPERATIONS

For the three months ended March 31, 2006, Churchill realized net income of \$0.6 million (2005 – net loss of \$0.2 million) on revenue of \$111.8 million (2005 – \$101.6 million), or net earnings per Common Share of \$0.03 (2005 – net loss per Common Share of \$0.02). The increase in net income in the first quarter, as compared to the same period in 2005, is a result of increased revenue due to a stronger market as well as improvement in operational performance.

Buildings

Stuart Olson had work-in-hand of \$138.1 million at December 31, 2005. For the three months ended March 31, 2006 the company secured a further \$109.1 million of contracts, and executed and took into revenue \$58.2 million. The company had \$189.0 million of work-in-hand at March 31, 2006, of which \$25.2 million is expected to carry over into 2007.

Stuart Olson's revenue for the three months ended March 31, 2006 was \$58.2 million, as compared to \$55.7 million for the same period in 2005. Earnings before taxes increased to \$0.9 million in the first quarter of 2006 from \$0.5 million in the first quarter of 2005. The increase in earnings was primarily the result of higher revenue compared to the prior year as the company's markets improved, as well as an increase in operating efficiency providing higher contract margins.

Industrial General Contracting

Triton had work-in-hand of \$23.7 million at December 31, 2005. For the three months ended March 31, 2006 the company secured a further \$14.4 million of contracts, and executed \$17.3 million. Triton had \$20.8 million of work-in-hand at March 31, 2006, of which \$1.4 million is expected to carry over into 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Triton's revenue for the three months ended March 31, 2006 was \$17.3 million, down from \$18.5 million for the three months ended March 31, 2005. Triton's earnings before taxes for the three months ended March 31, 2006 were \$0.9 million, compared to earnings before taxes of \$0.1 million for the same period last year. During the quarter the company closed out on several contracts completed in 2005 and recognized \$1.0 million of net earnings before taxes associated with these close outs in the quarter. The fabrication facility continues to operate below capacity due to planned constraints as well as limited success in securing appropriate contracts. The fabrication facility lost \$0.6 million before tax in the quarter.

Industrial Insulation Contracting

Fuller Austin and Northern Industrial Insulation had combined work-in-hand of \$26.8 million at December 31, 2005. For the three months ended March 31, 2006 they secured a further \$27.7 million of contracts, and executed \$22.6 million. The companies had \$31.9 million of work-in-hand at March 31, 2006, of which \$0.8 million is expected to carry over into 2007.

Revenue for the three months ended March 31, 2006 was \$22.6 million, compared to \$11.4 million for the three months ended March 31, 2005. Earnings before taxes were \$0.3 million for the three months ended March 31, 2006, compared to a loss before taxes of \$0.3 million for the same period last year. The primary reason for the higher earnings was the significantly higher revenue in 2006. The large oil sands contract, secured by Fuller Austin in 2005, continued into 2006 and accounted for a major portion of this revenue increase. Improvement in the company's markets in Saskatchewan and Manitoba made further contributions to revenue. Northern Industrial experienced the highest level of work-in-hand in its history for a first quarter as the company secured new contracts for oil sands related projects.

Industrial Electrical Contracting

Laird had work-in-hand of \$58.7 million at December 31, 2005. For the three months ended March 31, 2006 the company secured a further \$26.5 million of contracts, and executed \$13.8 million. Laird has strategically diversified its client base and as a result had \$71.4 million of work-in-hand at March 31, 2006, of which \$10.6 million is expected to carry over into 2007.

For the three months ended March 31, 2006, Laird's revenue was \$13.8 million, down from \$16.6 million for the same period last year. Laird had a loss before taxes of \$0.4 million for the three months ended March 31, 2006, compared to earnings before taxes of \$0.2 million for the same period last year. Notwithstanding the traditionally slow first quarter, the company continues to operate at one of the highest levels of activity in its history. The first quarter of 2005 included substantial revenue

from rebuilding activities associated with a major fire at one of Laird's client's facilities in the Fort McMurray area. This work had a positive effect on revenue and earnings in the first quarter of 2005 that was not repeated in 2006. In the first quarter of 2006, the company absorbed unrecoverable overhead costs related to delayed start-up on several new projects expected to be executed later in the year. The company also incurred a loss on a completed project during the quarter.

Corporate and Other

For the three months ended March 31, 2006, the Corporate and Other segment incurred \$0.9 million of indirect and administrative expenses including net interest costs, as compared to \$0.8 million for the three months ended March 31, 2005. The increase in the indirect and administrative expenses on a year-over-year basis was primarily due to consulting fees related to systems improvements and process re-engineering of the industrial companies, as well as additional personnel to accommodate the Corporation's increased level of activity. In the same period in 2005, the Corporation incurred costs of \$0.3 million related to a Special Committee of the Board of Directors.

CASH FLOW, FINANCING, CAPITAL REQUIREMENTS, LIQUIDITY

Churchill's working capital position, comprised of current assets less current liabilities excluding that portion of a demand term loan which is scheduled to be repaid beyond one year, was \$21.3 million at March 31, 2006 as compared to \$25.1 million at December 31, 2005, and \$3.4 million at March 31, 2005.

This substantial increase in working capital on a year-over-year basis is the result of positive earnings in 2005, combined with a major capital restructuring program implemented during 2005. This capital restructuring program consisted of new equity financing of \$10.6 million and a new banking arrangement with increased borrowing capability. The Corporation is continuing to review opportunities to strengthen its capitalization.

The reduction in working capital from December 31, 2005 was due to a classification of \$4.0 million as a long term asset due to agreements related to a restriction in its use.

Capital expenditures for the three months ended March 31, 2006 were \$0.9 million. Replacing and expanding the vehicle fleet accounted for \$0.3 million; upgrading computer equipment accounted for \$0.4 million; the balance was for miscellaneous construction and office equipment as well as minor facility upgrades.

An arrangement was made in the quarter with the Corporation's lender to increase the operating line of credit from \$12.0 million to \$16.0 million as well as to add an additional line of credit of \$3.0 million to be used specifically for the lease of vehicles and equipment pertaining to operations. Subsequent to the end of the quarter a further arrangement was finalized increasing the operating line from \$16.0 million to \$21.0 million.

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.

The Corporation repaid \$0.2 million of the demand term loan and \$0.2 million of long term debt in accordance with the repayment schedules and the contractual obligations described in the 2005 Annual Report. An additional \$0.3 million was added to long term debt in the quarter related to the financing of new vehicles.

Shareholder's equity was \$40.8 million at March 31, 2006, as compared to \$40.2 million at December 31, 2005. Contributed surplus increased \$11 thousand during the three months ended March 31, 2006 as a result of the accrual of stock-based compensation. Retained earnings increased by \$0.6 million during the first quarter from \$19.0 million at December 31, 2005, reflecting the net earnings for the quarter.

The Corporation had 17,895,686 Common Shares outstanding as at March 31, 2006 (December 31, 2005 – 17,895,686 Common Shares).

During the quarter 50,000 new performance related options were issued to the Vice President and CFO at an exercise price of \$3.05. 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 655,000 options convertible to Common Shares outstanding as at March 31, 2006.

Subsequent to the end of the first quarter, 311,528 Common Shares were returned to the Corporation. These shares were returned under the escrow agreements for the acquisition of Laird Electric Inc. which stated that if a performance objective was not met, the Corporation would be entitled to a repayment of a refundable deposit of \$1.0 million. This performance objective was not met. The shares will be returned to treasury for cancellation.

As at May 5, 2006, the Corporation has outstanding 17,895,686 Common Shares and 655,000 options convertible to Common Shares.

RISKS AND RISK MANAGEMENT

The risk assessment and risk management processes carried out by the Corporation are essentially unchanged from those

discussed in the MD&A contained in the 2005 Annual Report except for the following updates:

Triton incurred significant losses in 2004 as a result of start-up problems in the fabrication facility and the associated project execution. As a result, plant through-put was restricted in 2005 under a planned reduction program until systems and processes were sufficiently improved. Through-put was still significantly below capacity in the first quarter of 2006 and the facility incurred a loss. Should the plant continue to operate significantly below capacity for an extended period, then further losses will occur.

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. To address these working capital needs, new equity of \$10.6 million was placed and a new banking facility, with an increased operating line, was arranged in 2005. The Corporation continues in 2006, to examine the need for, and to seek opportunities to, add working capital. Although the immediate needs are satisfied, future growth may be limited if additional working capital is required and not available.

OUTLOOK

During the three months ended March 31, 2006, Churchill secured a further \$177.7 million of contracts and executed and took into revenue \$111.8 million of work, net of \$0.3 million of inter-segment revenue. At March 31, 2006 the Corporation had \$313.1 million of work-in-hand, of which \$38.0 million is expected to carry forward into 2007.

The Corporation's markets continue to be buoyant and to provide excellent opportunities to obtain new work. The carryover of industrial work from 2005 was at a high level for the Corporation and the buildings group, Stuart Olson, secured over \$50 million of additional work-in-hand in the first quarter. The insulation businesses continue to have a strong backlog of work and are expected to increase activity levels as the year progresses. Although revenue in the first quarter exceeded the Corporation's expectations, earnings were impacted by several factors as described below.

Churchill is achieving steady operational improvements. To facilitate and support the Corporation's growth, systems and process changes will continue to be implemented over the next few quarters. The Triton fabrication facility continues to operate below capacity which is negatively affecting the company's earnings. Laird is expected to return to profitability in the next quarter as its activity level increases. The shortages of skilled labour continue to be an issue; however Churchill's companies have been successful to date in proactively mitigating the problem.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The 2005 capital restructuring provided significant strengthening to Churchill's balance sheet. To meet the many growth opportunities available in the present market, the Corporation will be seeking ways to increase its working capital and to examine opportunities to enhance its capitalization.

The Corporation expects to experience improving results throughout 2006 and another year of strong performance due to a continuing excellent construction market in western Canada.

NOTICE

The March 31, 2006 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, 2006, 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 2006 (Unaudited)	December 31 2005
ASSETS		
Current assets		
Cash and equivalents (note 2)	\$ 20,862	\$ 29,177
Accounts receivable	77,825	72,417
Inventories and prepaid expenses	2,232	1,724
Costs in excess of billings	-	13,127
Income taxes recoverable	3,310	3,310
	104,229	119,755
Long-term cash and equivalents (note 2)	4,000	-
Future income tax assets	295	435
Property and equipment	15,782	15,556
Refundable deposit (note 7)	1,000	1,000
Goodwill	7,315	7,315
Intangible assets (note 3)	253	-
	\$ 132,874	\$ 144,061
LIABILITIES		
Current liabilities		
Line of credit (note 4)	\$ 12,200	\$ 7,780
Accounts payable	61,683	81,775
Contract advances and unearned income	3,821	-
Future income tax liabilities	3,848	3,706
Current portion of long-term debt (note 5)	620	597
Demand term loan (note 6)	7,345	7,540
	89,517	101,398
Long-term debt (note 5)	2,406	2,301
Future income tax liabilities	157	143
	92,080	103,842
SHAREHOLDERS' EQUITY		
Share capital (note 7)	15,472	15,472
Contributed surplus	5,765	5,754
Retained earnings	19,557	18,993
	40,794	40,219
	\$ 132,874	\$ 144,061

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

CONSOLIDATED STATEMENTS OF EARNINGS

Three months ended March 31 (Unaudited) (\$ thousands, except per share amounts)	2006	2005
Contract revenue	\$ 111,836	\$ 101,614
Contract costs	102,166	94,355
Contract income	9,670	7,259
Interest income	126	89
Sundry income	179	290
Indirect and administrative expenses	(8,228)	(7,176)
Depreciation and amortization	(598)	(670)
Interest expense	(269)	(175)
Income (loss) before income taxes	880	(383)
Income tax (expense) recovery:		
Current income tax	(20)	1,554
Future income tax	(296)	(1,409)
	(316)	145
Net income (loss)	\$ 564	\$ (238)
Net income (loss) per common share (note 8)		
Basic	\$ 0.03	\$ (0.02)
Fully diluted	\$ 0.03	\$ (0.02)

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Three months ended March 31 (Unaudited) (\$ thousands)	2006	2005
Retained earnings, beginning of period	\$ 18,993	\$ 15,199
Net income (loss)	564	(238)
Retained earnings, end of period	\$ 19,557	\$ 14,961

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)	2006	2005
OPERATING ACTIVITIES		
Net income (loss)	\$ 564	\$ (238)
Non-cash items		
Depreciation and amortization	598	670
Gain on disposal of property for sale	-	(210)
(Gain) loss on disposal of equipment	(7)	2
Future income taxes	296	1,409
Stock-based compensation	11	58
	1,462	1,691
Net change in costs in accounts receivable, inventories and prepaid expenses	(5,916)	(12,942)
Net change in costs in accounts payable	(20,092)	1,217
Net change in costs in contract advances and unearned income	16,948	-
Change in income taxes recoverable	-	(1,554)
	(7,598)	(11,588)
INVESTING ACTIVITIES		
Proceeds on disposal of property for sale	-	312
Long-term cash and equivalents (note 2)	(4,000)	-
Proceeds on disposal of equipment	20	1
Additions to property and equipment	(837)	(503)
Additions to intangible assets	(253)	-
	(5,070)	(190)
FINANCING ACTIVITIES		
Issuance of common shares	-	44
Proceeds under line of credit	4,420	7,795
Issuance of long-term debt	283	18
Repayment of long-term debt	(155)	(684)
Repayment of demand term loan	(195)	-
	4,353	7,173
Decrease in cash	(8,315)	(4,605)
Net cash, beginning of period	29,177	11,719
Net cash, end of period	\$ 20,862	\$ 7,114

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. *Basis of Presentation*

These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the fiscal year ended December 31, 2005 and notes thereto. These consolidated 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 consolidated financial statements as were followed in the preparation of the audited annual consolidated financial statements for the financial year ended December 31, 2005, except for the adoption of the following new CICA Accounting Recommendation and Emerging Issues Committee's abstract:

Non-Monetary Transactions – Effective January 1, 2006, the Corporation adopted the amended recommendations of CICA Handbook Section 3831 *Non-monetary transactions*, (formerly Section 3830 of the same title) effective for annual or interim periods beginning on or after January 1, 2006. Section 3831 requires all non-monetary transactions be measured at fair value unless certain conditions are satisfied. The Corporation has determined that there is no impact on the consolidated financial statements from the adoption of Section 3831.

Implicit Variable Interests – Effective January 1, 2006, the Corporation adopted the Emerging Issues Committee's Abstract 157 *Implicit Variable Interests under AcG - 15 (EIC 157)*. The EIC requires that the Corporation address whether any implicit or potential variable interests exists when specific conditions exist and account for them in accordance with the CICA Handbook Accounting Guideline 15 (AcG – 15) – *Consolidation of Variable Interest Entities*. The Corporation has determined that there is no impact on the consolidated financial statements from the adoption of EIC 157.

2. *Cash and Equivalents* (\$ thousands)

Cash includes \$10,095 (December 31, 2005 - \$9,857) which is restricted under the British Columbia Lien Act to the payment of direct costs related to specific construction projects. Cash balances of \$118 (December 31, 2005 - \$10) are in joint venture accounts. \$4,000 has been classified as long-term as it is restricted in use.

3. *Intangible Assets* (\$ thousands)

The intangible assets relate to intellectual property resulting from the design and implementation of processes related to the Corporation's computer system. The intangible assets will be amortized straight line over 3 years.

4. *Line of Credit* (\$ thousands)

The line of credit is an operating line of credit with a maximum availability of \$16,000. 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 6).

At March 31, 2006, the total maximum available operating line of credit of \$16,000 was reduced by \$1,840 (2005 - \$1,840) 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.

Subsequent to March 31, 2006, the Corporation has negotiated an increase in the available line of credit to \$21,000. The operating line is considered a financing activity for the statement of cash flow.

5. **Long-term Debt**
(\$ thousands)

Interest expense on long-term debt during the three months ended March 31, 2006 was \$73.

The Corporation has added a leasing facility with a borrowing limit of up to \$3,000 to assist the Corporation with the purchase of capital assets. The leasing facility bears interest at the three year GIC rate plus 3.25%. As at March 31, 2006 there were no amounts outstanding.

6. **Demand Term Loan**
(\$ thousands)

The Corporation's demand term loan has certain demand features. As a result, \$6,565 of the demand term loan, which is scheduled to be repaid beyond 12 months, has been classified as a current liability on the balance sheet. The Corporation's bank has acknowledged that the \$6,565 will not be considered a current liability for the purpose of calculating debt covenants.

The demand term loan, and the line of credit (Note 4) are subject to certain debt covenants calculated on a quarterly basis. At March 31, 2006, the Corporation was in compliance with its debt covenants.

Interest expense on the demand term loan for the three months ended March 31, 2006 was \$120.

7. **Share Capital**
(\$ thousands, except share and per share amounts)

Issued	Three months ended March 31, 2006		Twelve months ended December 31, 2005	
	Shares	Share Capital	Shares	Share Capital
Common Shares:				
Issued, beginning of period	17,895,686	\$ 15,472	12,238,352	\$ 4,289
New shares issued	-	-	5,323,000	10,646
Stock options exercised	-	-	334,334	537
Issued, at March 31	17,895,686	\$ 15,472	17,895,686	\$ 15,472

During the quarter, 50,000 options were issued with an exercise price of \$3.05. No options were exercised.

As at March 31, 2006 the Corporation had outstanding 655,000 options convertible into Common Shares. (December 31, 2005 – 605,000).

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In the quarter ended March 31, 2006, the Corporation recognized stock compensation expense of \$11 (March 31, 2005 - \$58) related to the estimated fair value of options granted. The fair value of options granted by the Corporation was estimated using the Black-Scholes option-pricing model with the following assumptions: no dividends are paid on common shares, a weighted average risk-free interest rate of 3.59% (December 31, 2005 - 3.56%), an average life of 3.7 years (December 31, 2005 - 3.7 years), and a weighted average volatility of 46.04% (December 31, 2005 - 46.05%). The amounts computed, according to the Black-Scholes pricing model, may not be indicative of the actual values realized upon the exercise of these options by the holders.

Subsequent to quarter-end, 311,528 shares were returned to the Corporation. These shares were returned under the escrow agreements for the acquisition of Laird Electric Inc. which stated that if a performance objective was not met, the Corporation would be entitled to a repayment of a refundable deposit of \$1,000. These shares will be returned to treasury for cancellation.

8. *Net Earnings (loss) per Common Share* (\$ thousands, except per share amounts)

	Three months ended March 31	
	2006	2005
Net income (loss)	\$ 564	\$ (238)
Weighted average number of common shares outstanding	17,895,686	12,259,463
Incremental number of shares under treasury stock method	74,285	82,596
	17,969,971	12,342,059
Net income (loss) per common share:		
Basic	\$ 0.03	\$ (0.02)
Fully diluted	\$ 0.03	\$ (0.02)

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 period ended March 31, 2005, the effect of outstanding share options on earnings per share is anti-dilutive as the Corporation was 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.

9. *Related Party Transactions* (\$ thousands)

The Corporation incurred legal fees of \$65 (2005 - \$27) for services related to various legal matters with a law firm for which a director of the Corporation is also a partner of the firm.

10. *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 (Stuart Olson) – constructs commercial, institutional and light-industrial buildings.

Industrial General Contracting (Triton) – provides heavy-industrial general contracting, fabrication and maintenance services.

Industrial Insulation Contracting (Fuller Austin, Northern Industrial) – provides industrial insulation, maintenance and related services.

Industrial Electrical Contracting (Laird) –provides industrial electrical, instrumentation and power-line construction and maintenance services.

Corporate and Other – includes corporate costs not allocated directly to another business segment as well as any miscellaneous investments.

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.

(\$ thousands)

Three months ended March 31,2006	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill & Intangibles	Total Assets	Capital Expenditures
Buildings	\$ 58,176	\$ 895	\$ 119	\$ -	\$ 62,556	\$ 208
Industrial General Contracting	17,337	891	160	-	4,501	53
Industrial Insulation Contracting	22,551	331	88	-	8,410	17
Industrial Electrical Contracting	13,846	(372)	140	7,315	8,260	358
Corporate and Other	-	(870)	91	253	49,147	201
Inter-segment Adjustments	(74)	5	-	-	-	-
	\$ 111,836	\$ 880	\$ 598	\$ 7,568	\$ 132,874	\$ 837

Three months ended March 31,2005	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill & Intangibles	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

During the quarter, the Corporation recorded revenues from one customer in excess of 10% of its contract revenue (2005 – none). Contract revenue from this customer was \$12,230 (2005 – \$0). The revenue was earned in the Industrial Insulation Contracting segment.

11. **Comparative Figures**

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

CORPORATE DIRECTORY

EXECUTIVE OFFICES

12836 – 146 Street
Edmonton, Alberta T5L 2H7
Phone: (780) 454-3667
Fax: (780) 452-8741
Email: inquiries@churchill-cuq.com
www.churchillcorporation.com

INVESTOR RELATIONS

For further information please contact:
Andrew Apedoe
The Churchill Corporation
Phone: (780) 454-3667
Email: investor.relations@churchill-cuq.com

REGISTRAR AND TRANSFER AGENTS

Inquiries regarding change of address, registered shareholdings,
share transfers, duplicate mailings and lost certificates should be directed to:

CIBC Mellon Trust Company
600 The Dome Tower
333 Seventh Avenue S.W.
Calgary, Alberta T2P 2Z1
Phone: (403) 232-2400
Answer line: 1-800-387-0825
Fax: (403) 264-2100
Email: inquiries@cibcmellon.ca
www.cibcmellon.ca