

THIRD QUARTER REPORT

November 3, 2006

REPORT TO SHAREHOLDERS

Your Corporation experienced an excellent third quarter. The strength in our markets combined with the efforts of our management team, employees and contractors has resulted in record revenue and increased net earnings. Revenue was \$145.5 million in the quarter as compared to \$120.6 million in the third quarter of 2005. Net earnings were \$3.0 million compared with \$1.3 million in the comparable period of last year.

Consolidated revenue for the nine months ended September 30, 2006 was \$378.9 million up 11% from the \$341.0 million reported during the first nine months of 2005. Net earnings year-to-date were \$4.4 million (\$0.25 per share) compared to net earnings of \$2.1 million (\$0.14 per share) during the first nine months of 2005. At September 30, 2006 consolidated work-in-hand totaled \$469.6 million, as compared to \$307.8 million at September 30, 2005.

Stuart Olson experienced a strong third quarter with \$77.2 million of revenue and earnings before tax of \$2.2 million in comparison to \$54.6 million of revenue and \$1.2 million of earnings before tax in the same period of 2005. The backlog at Stuart Olson continues to grow, reaching \$375.2 million as compared to \$251.8 million at the conclusion of the second quarter of 2006. Institutional infrastructure projects and several significant contract awards from the commercial sector are responsible for the growth of work-in-hand.

Revenue from our insulation companies, Fuller Austin and Northern Industrial was higher at \$21.8 million as compared to \$20.9 million for the third quarter of 2005. Earnings before tax in the quarter at \$2.1 million were significantly higher than the \$1.5 million reported in the third quarter of 2005. Higher activity levels and increased margins from work performed in the Saskatchewan and Manitoba markets contributed to the earnings improvement during the quarter. Bidding activity remains strong in our insulating companies.

Laird's revenue increased substantially to \$34.9 million from \$21.3 million in the comparable period of 2005. The growth in third quarter revenue is a result of progress being made on construction work packages for clients in oil sands mining and SAGD projects. Earnings before tax grew to \$1.6 million compared to \$0.8 million for the third quarter of 2005. The company's work-in-hand balance supports continued expectation of solid performance in the fourth quarter.

Revenue at Triton of \$11.6 million was similar to revenue of \$12.3 million in the second quarter of 2006. This revenue level is consistent with our strategy to restrict work flow at Triton until profitable operations are delivered on a lower work volume. The loss before tax during the quarter was \$0.8 million as compared to a loss before tax of \$0.9 million in the same period of 2005. The loss before tax at Triton this quarter was favourably

mitigated by a \$1.0 million recovery on a completed contract. Mr. Kelly Smith, Triton's President was appointed on July 31, 2006 and together with Churchill management is focused on improving the utilization of resources and profitability of Triton.

Our construction market continues to be among the best we have experienced, as a result of government spending on infrastructure and private sector spending on commercial facilities, oil sands and petrochemical projects. Overall we are pleased with the performance of our business and are delighted with the results.

We anticipate activity levels in our key markets in western Canada will remain strong and that current business volumes, subject to normal seasonality, are sustainable into the foreseeable future.

November 3, 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 November 3, 2006, should be read in conjunction with the unaudited Consolidated Financial Statements and related notes, and the Report to Shareholders contained in this 2006 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 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 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 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", "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) twelve months, 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 September 30, 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

(\$ millions, except where noted)	Years ended December 31		
	2005	2004	2003
Contract Revenue	\$ 479.8	\$ 334.6	\$ 319.4
Net Earnings (Loss)	3.8	(6.2)	(3.7)
Net Earnings (Loss) 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; 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. In 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.

QUARTERLY FINANCIAL INFORMATION

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

	2006			2005				2004
	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31
Contract Revenue	\$145.5	\$121.6	\$111.8	\$138.8	\$ 120.6	\$ 118.8	\$ 101.6	\$ 101.8
Contract Income	13.4	11.4	9.7	12.4	9.7	10.4	7.3	1.9
Contract Income - %	9.2%	9.4%	8.7%	8.9%	8.0%	8.8%	7.1%	1.9%
Net Earnings (Loss)	3.0	0.8	0.6	1.6	1.3	1.1	(0.2)	(3.7)
Basic (\$ per share)	0.17	0.05	0.03	0.09	0.07	0.07	(0.02)	(0.31)
Fully diluted (\$ per share)	0.16	0.04	0.03	0.09	0.07	0.07	(0.02)	(0.31)
Work-in-Hand	469.6	353.7	313.1	247.2	307.8	294.8	299.8	251.5
Working Capital	24.1	21.9	21.3	25.1	23.4	14.9	3.4	3.0
Shareholders' Equity	43.7	40.7	40.8	40.2	37.9	36.5	24.7	24.9
Book Value (\$ per share)	2.48	2.31	2.28	2.25	2.15	2.07	2.02	2.03

The preceding quarterly information is impacted by the following items:

(1) Increased revenue in the first three quarters of 2006 exceeded revenue from the comparable quarters of 2005 and reflects generally improved market conditions. First and second quarter revenue in 2006 is lower than the fourth quarter of 2005 due to seasonal fluctuations and lower revenue in Triton's fabrication facility.

(2) The increase in contract income in 2006 relative to 2005 and the final quarter of 2004 reflects an improving market resulting in higher revenue, a return by the Corporation to its historic levels of contract margins, and the recovery of provisions taken in previous years.

(3) The lower 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.

(4) Contract income in the first nine months of 2006 was negatively impacted by losses at the fabrication plant. These costs were partially offset by recoveries on provisions and contractual settlements at Triton and insurance rebates for all of the operating companies in the second quarter. Net earnings for the nine months year to date have been impacted by the additional administration costs related to systems improvements and process re-engineering of the industrial companies.

(5) The increase in the Corporation's work-in-hand during the nine month period in 2006 from year-end 2005 is a reflection of the strengthening in its building construction markets.

(6) 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.

(7) The reduction in working capital in the first quarter of 2006 was the 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 September 30, 2006, Churchill realized consolidated net earnings of \$3.0 million (2005 – net earnings of \$1.3 million) on revenue of \$145.5 million (2005 – \$120.6 million), or basic earnings per Common Share of \$0.17 (2005 – basic earnings per Common Share of \$0.07). The increase in profitability in the third quarter, as compared to the same period in 2005, is a result of higher activity levels and strategic initiatives to improve margins.

For the nine months ended September 30, 2006, Churchill realized consolidated net earnings of \$4.4 million (2005 – net earnings of \$2.1 million) on revenue of \$378.9 million (2005 – \$341.0 million), or basic earnings per Common Share of \$0.25 (2005 – basic earnings per Common Share of \$0.14).

Buildings

Stuart Olson had work-in-hand of \$251.8 million at June 30, 2006. For the three months ended September 30, 2006 the company secured a further \$200.6 million of contracts, and executed and took into revenue \$77.2 million. The company had \$375.2 million of work-in-hand at September 30, 2006, of which \$278.2 million is expected to carry over into 2007.

Stuart Olson's revenue for the three months ended September 30, 2006 was \$77.2 million, an increase of 41% compared to \$54.6 million for the same period in 2005. Earnings before tax increased 83% to \$2.2 million in the third quarter of 2006 from \$1.2 million in the third quarter of 2005. The increase in earnings before tax was primarily the result of higher revenue and improved contract margins.

For the nine months ended September 30, 2006, Stuart Olson realized earnings before tax of \$4.2 million on contract revenue of \$204.1 million, compared to earnings before tax of \$2.1 million on revenue of \$167.4 million for the nine months ended September 30, 2005. The company continues to experience growth in all of its geographic regions and market conditions have been favourable, enabling Stuart Olson to successfully increase margins.

Industrial General Contracting

Triton had work-in-hand of \$23.6 million at June 30, 2006. For the three months ended September 30, 2006 the company secured a further \$4.4 million of contracts, and executed \$11.6 million. The company had \$16.4 million of work-in-hand at September 30, 2006, of which \$1.8 million is expected to carry over into 2007.

Triton's revenue for the three months ended September 30, 2006 was \$11.6 million, declining 53% from \$24.5 million for the three months ended September 30, 2005. Triton incurred a loss before tax of \$0.8 million, compared to a loss before tax of \$0.9 million for the same period last year. During the quarter the company recognized \$1.0 million of earnings before tax associated with the collection of previously established provisions on construction contracts completed during 2005 and 2006. Kelly Smith, the recently appointed President of Triton, has been working with Churchill management to complete an assessment of the operational challenges at Triton. Management expects to move ahead with a new operating strategy for Triton over the next few months.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

For the nine months ended September 30, 2006, Triton realized a loss before tax of \$1.3 million on contract revenue of \$41.2 million, compared to earnings before tax of \$0.6 million on revenue of \$69.4 million for the nine months ended September 30, 2005. The decrease in revenue is primarily related to planned restrictions and a reduction in secured work while the Corporation completed its strategic review of operations. The decrease in revenue coupled with losses on several projects, which were partially offset by recoveries on provisions recorded in prior periods, is responsible for the loss year-to-date.

Industrial Insulation Contracting

Fuller Austin and Northern Industrial Insulation had combined work-in-hand of \$28.3 million at June 30, 2006. For the three months ended September 30, 2006, they secured a further \$16.2 million of contracts, and executed \$21.8 million. The companies had \$22.7 million of work-in-hand at September 30, 2006, of which \$8.4 million is expected to carry over into 2007.

Revenue for the three months ended September 30, 2006 increased to \$21.8 million, compared to \$20.9 million for the three months ended September 30, 2005. Earnings before tax increased by 40% to \$2.1 million for the three months ended September 30, 2006, compared to earnings before tax of \$1.5 million for the same period last year. The primary reason for the improved earnings was the increased regional activity from Saskatchewan and Manitoba at higher margin levels.

For the nine months ended September 30, 2006, the insulation companies realized earnings before tax of \$3.6 million on contract revenue of \$60.4 million, compared to earnings before tax of \$1.2 million on revenue of \$46.2 million for the nine months to September 30, 2005. The increased revenue as well as improved margins generated this significant improvement in earnings before tax.

Industrial Electrical Contracting

Laird had work-in-hand of \$50.1 million at June 30, 2006. For the three months ended September 30, 2006 the company secured a further \$40.2 million of contracts, and executed \$34.9 million. Activity levels in the quarter were particularly high due to construction activity from prior quarters which was deferred into the third quarter, as well as growth in a large contract for an oil sands client. The company had \$55.4 million of work-in-hand at September 30, 2006, of which \$32.4 million is expected to carry over into 2007.

For the three months ended September 30, 2006, Laird's revenue was \$34.9 million, an increase of 64% from \$21.3 million for the same period last year. This is the highest quarterly revenue in the company's history. Laird achieved earnings before tax of \$1.6 million for the three months ended September 30, 2006, compared to earnings before tax of \$0.8 million for the same period last year. The increase in earnings is a result of higher

contract income, over and above the additional administrative expenses required to manage this increased level of activity.

For the nine months ended September 30, 2006, Laird realized earnings before tax of \$2.7 million on contract revenue of \$73.3 million, compared to earnings before tax of \$1.9 million on revenue of \$60.3 million for the nine months to September 30, 2005. The majority of the company's revenue and work-in-hand is related to oil sands projects in its core Fort McMurray market. The company has successfully diversified its customer base such that it is presently active on multiple oil sands sites for various clients.

Corporate and Other

For the three months ended September 30, 2006, the Corporate and Other segment incurred \$0.6 million of indirect and administrative expenses including net interest costs, as compared to \$0.7 million for the three months ended September 30, 2005.

For the nine months ended September 30, 2006, the Corporate and Other segment incurred \$2.4 million of indirect and administrative expenses including net interest costs, as compared to \$2.5 million for the same period in 2005. The decrease in indirect and administrative expenses resulted from costs associated with consultants and the Special Committee of the Board of Directors incurred in the comparable period in 2005. This decrease was partially offset by costs incurred related to systems improvements, process re-engineering and personnel costs to accommodate the current level of activity.

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 \$24.1 million at September 30, 2006 as compared to \$25.1 million at December 31, 2005. The decrease in working capital from December 31, 2005 was due to the classification of \$4.0 million as a long-term asset due to agreements related to a restriction in its use, offset partially by an increase in working capital due to greater activity levels.

Capital expenditures for the three months ended September 30, 2006 were \$1.6 million. Expenditures associated with the relocation and expansion of Stuart Olson's southern Alberta office accounted for \$1.0 million, replacing and expanding the vehicle fleet accounted for \$0.4 million; upgrading computer equipment accounted for \$0.1 million; with the balance spent on miscellaneous construction and office equipment.

The Corporation remains a partner in two joint ventures, with a third being wound down in the third quarter. 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.

During the third quarter of 2006, the Corporation repaid \$0.1 million of the demand term loan and \$0.2 million of long-term debt in accordance with the repayment schedules and the contractual obligations as described in previous quarters and the 2005 Annual Report. An additional \$0.4 million was added to long-term debt in the quarter related to the financing of new vehicles and computer systems.

Shareholders' equity was \$43.7 million at September 30, 2006, as compared to \$40.2 million at December 31, 2005. Share capital was reduced by \$0.3 million for shares cancelled with respect to the Laird share transaction and contributed surplus increased \$0.1 million during the nine months ended September 30, 2006 as a result of the accrual of stock-based compensation. Retained earnings increased by \$3.7 million from \$19.0 million at December 31, 2005, reflecting net earnings of \$4.4 million for the nine months reduced by \$0.7 million for the Laird share transaction which took place during the second quarter.

The Corporation had 17,584,158 Common Shares outstanding as at September 30, 2006 (June 30, 2006 – 17,584,158 Common Shares). No stock option activity occurred during the quarter ended September 30, 2006.

The Board of Directors of the Corporation has deferred the implementation of the executive share unit plan, pending approval of proposed amendments.

As at November 3, 2006, the Corporation has outstanding 17,584,158 Common Shares (December 31, 2005 - 17,895,686 Common Shares) and 655,000 options (December 31, 2005 – 605,000 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 has been significantly below capacity during 2006 and the facility has incurred a loss. Should the fabrication shop continue to operate significantly below capacity for an extended period, then further losses will occur. At the conclusion of the first quarter of 2006, project size and scope restrictions were also placed on Triton's operations which resulted in lower revenues during the second and third quarters.

Churchill's industrial operations generally require a higher level of working capital due to a larger manpower workforce on projects. 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. During the first two quarters of 2006, this operating line was increased to \$21.0 million and a leasing facility was added with a borrowing capacity of \$3.0 million. The Corporation's ability to obtain additional capital is a significant factor in achieving its strategy of expansion in the industrial market. Although the immediate needs are satisfied, future growth may be limited if additional working capital is required and not available. The Corporation continues to assess the adequacy of its working capital needs.

In the third quarter, the Corporation commenced the implementation of a strategy to ensure that by December 31, 2006, it is in a position to certify the requirements of Bill 198 in respect of the design of internal controls over financial reporting.

OUTLOOK

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 Corporation continues to proactively mitigate labour availability issues in its non-union operations by increasingly focusing its recruitment efforts outside western Canada.

At June 30, 2006, the Corporation had \$353.7 million of work-in-hand. During the three months ended September 30, 2006, Churchill secured a further \$261.4 million of contracts and executed \$145.5 million of work. At September 30, 2006 the Corporation had \$469.6 million of work-in-hand, of which \$320.8 million is expected to carry forward into 2007.

The Corporation's industrial businesses are focused on the oil sands markets and related construction requirements. Although costs related to oil sands development are rising, the owners continue to take the long-term view that global oil demand is rising, necessitating the development of long-term supplies located in Alberta. In addition, a number of proposed upgraders to be constructed in the Edmonton area continue to clear the hurdles to initiating site construction and Churchill's industrial companies will be actively pursuing work on these sites. There continues to be a large volume of work available for the industrial companies.

The spin-off effects of migration, government investment, strong commodity prices and construction related to the 2010 Olympics has created a number of opportunities for Stuart Olson to capitalize on its strengths in commercial and public infrastructure development across western Canada.

The Corporation completed a record level of activity during the third quarter and work-in-hand has reached new heights. Profit year-over-year has demonstrated a significant improvement and all indications point to a strong fourth quarter.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

NOTICE

The September 30, 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 the consolidated interim financial statements are unaudited, while the year-end consolidated financial statements are 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, 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)	September 30 2006 (Unaudited)	December 31 2005*
ASSETS		
Current assets		
Cash and equivalents (note 2)	\$ 23,506	\$ 29,177
Accounts receivable	125,148	72,417
Inventories and prepaid expenses	2,756	1,724
Costs in excess of billings	-	13,127
Income taxes recoverable	5	3,310
	151,415	119,755
Long-term cash and equivalents (note 2)	4,000	-
Future income tax assets	495	435
Property and equipment	17,398	15,556
Refundable deposit (note 7)	-	1,000
Goodwill	7,315	7,315
Intangible assets (note 3)	210	-
	\$ 180,833	\$ 144,061
LIABILITIES		
Current liabilities		
Line of credit (note 4)	\$ 15,250	\$ 7,780
Accounts payable	79,312	81,775
Contract advances and unearned income	25,138	-
Income taxes payable	2,594	-
Future income tax liabilities	3,444	3,706
Current portion of long-term debt (note 5)	822	597
Demand term loan (note 6)	7,020	7,540
	133,580	101,398
Long-term debt (note 5)	3,343	2,301
Future income tax liabilities	167	143
	137,090	103,842
SHAREHOLDERS' EQUITY		
Share capital (note 7)	15,203	15,472
Contributed surplus	5,865	5,754
Retained earnings	22,675	18,993
	43,743	40,219
	\$ 180,833	\$ 144,061

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

*Figures excerpted from the 2005 audited consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(\$ thousands, except per share amounts)	Three months ended September 30 (Unaudited)		Nine months ended September 30 (Unaudited)	
	2006	2005	2006	2005
Contract revenue	\$ 145,453	\$ 120,608	\$ 378,881	\$ 341,040
Contract costs	132,080	110,958	344,450	313,680
Contract income	13,373	9,650	34,431	27,360
Interest income	240	52	552	217
Sundry income	40	113	409	423
Indirect and administrative expenses	(8,160)	(6,827)	(25,803)	(21,940)
Depreciation and amortization	(721)	(756)	(1,971)	(2,034)
Interest expense	(213)	(252)	(788)	(748)
Earnings before income taxes	4,559	1,980	6,830	3,278
Income tax expense				
Current income tax	(2,595)	3	(2,715)	38
Future income tax	1,073	(705)	298	(1,192)
	(1,522)	(702)	(2,417)	(1,154)
Net earnings	\$ 3,037	\$ 1,278	\$ 4,413	\$ 2,124
Net earnings per Common Share (note 8)				
Basic	\$ 0.17	\$ 0.07	\$ 0.25	\$ 0.14
Fully diluted	\$ 0.16	\$ 0.07	\$ 0.24	\$ 0.14

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(\$ thousands)	Three months ended September 30 (Unaudited)		Nine months ended September 30 (Unaudited)	
	2006	2005	2006	2005
Retained earnings, beginning of period	\$ 19,638	\$ 16,045	\$ 18,993	\$ 15,199
Net earnings	3,037	1,278	4,413	2,124
Return of shares (note 7)	-	-	(731)	-
Retained earnings, end of period	\$ 22,675	\$ 17,323	\$ 22,675	\$ 17,323

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

CONSOLIDATED STATEMENTS OF CASH FLOW

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	(Unaudited)		(Unaudited)	
	2006	2005	2006	2005
OPERATING ACTIVITIES				
Net earnings	\$ 3,037	\$ 1,278	\$ 4,413	\$ 2,124
Non-cash items				
Depreciation and amortization	721	756	1,971	2,034
Gain on disposal of property for sale	-	-	-	(210)
Loss (gain) on disposal of property and equipment	6	(3)	(4)	(8)
Future income tax	(1,073)	705	(298)	1,192
Stock-based compensation	32	18	111	89
	2,723	2,754	6,193	5,221
Net change in accounts receivable, inventories and prepaid expenses	(37,665)	(11,221)	(53,763)	(14,267)
Net change in accounts payable	12,046	6,130	(2,463)	(3,496)
Net change in contract advances and unearned income	15,557	3,053	38,265	(7,085)
Net change in income taxes payable/recoverable	2,999	176	5,899	927
	(4,340)	892	(5,869)	(18,700)
INVESTING ACTIVITIES				
Proceeds on disposal of property for sale	-	-	-	312
Long-term cash and equivalents (note 2)	-	-	(4,000)	-
Proceeds on disposal of equipment	17	6	214	16
Additions to property and equipment	(1,588)	(538)	(3,232)	(2,192)
Additions to intangible assets	-	-	(253)	-
	(1,571)	(532)	(7,271)	(1,864)
FINANCING ACTIVITIES				
Issuance of common shares	-	90	-	3,780
Issuance of short-term debt	-	-	-	7,000
Proceeds under line of credit	8,300	-	15,770	-
Repayments under line of credit	(6,400)	-	(8,300)	-
Issuance of long-term debt	408	8,004	1,050	8,993
Repayment of long-term debt	(204)	(8,005)	(531)	(9,432)
Repayment of demand term loan	(130)	-	(520)	-
Redemption of term deposit	-	4,000	-	4,000
	1,974	4,089	7,469	14,341
Decrease (increase) in cash	(3,937)	4,449	(5,671)	(6,223)
Cash, beginning of period	27,443	1,047	29,177	11,719
Cash, end of period	\$ 23,506	\$ 5,496	\$ 23,506	\$ 5,496

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 interim unaudited 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 unaudited 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)

Included in cash and equivalents balance of \$23,506 (December 31, 2005 - \$29,177) is \$10,348 (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 and cash balances of \$454 (December 31, 2005 - \$10) 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.

	September 30 2006	December 31 2005
Cost	252	-
Accumulated Depreciation	42	-
Net Book Value	210	-

4. *Line of Credit*

(\$ thousands)

The line of credit is an operating line of credit with a maximum availability of \$21,000. The line of credit bears interest at prime plus 1.0%. The total amount ultimately available under this facility is 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).

4. **Line of Credit (Continued)**

(\$ thousands)

At September 30, 2006, the total maximum available operating line of credit of \$21,000 was reduced by \$500 (2005 - \$1,840) in conjunction with the issuance of an irrevocable letter of credit provided as general security in respect of a specific contract. The letter of credit was returned to the bank in October, 2006.

The operating line is considered a financing activity for the statement of cash flow.

5. **Long-term Debt**

(\$ thousands)

For the three months ended September 30, 2006, interest expense on long-term debt was \$153 (2005 - \$228). Interest expense on long-term debt during the nine months ended September 30, 2006 was \$338 (2005 - \$629).

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%, and is secured by land and buildings with a net book value of \$6,994, and vehicles and equipment with a net book value of \$842. As at September 30, 2006, the Corporation has utilized \$941 of the leasing facility. \$773 of this facility has been treated as a non-cash item in the Consolidated Statements of Cash Flow.

6. **Demand Term Loan**

(\$ thousands)

The Corporation's demand term loan has certain demand features. As a result, \$6,240 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 \$6,240 will not be considered a current liability for the purpose of calculating debt covenants.

The demand term loan is secured by a mortgage on the modular fabrication facility, mortgages on two of the Corporation's properties, various general security agreements and unlimited guarantees from the Corporation and its wholly owned subsidiaries. The net book value of the land and buildings at September 30, 2006 is \$6,994.

The demand term loan, and the line of credit (Note 4) are subject to certain debt covenants calculated on a quarterly basis. At September 30, 2006, the Corporation was in compliance with its debt covenants.

For the three months ended September 30, 2006, interest expense on the demand term loan was \$133 (2005 - \$28). Interest expense on the demand term loan for the nine months ended September 30, 2006 was \$381 (2005 - \$28).

7. **Share Capital**

(\$ thousands, except share and per share amounts)

	Nine months ended September 30, 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
Shares cancelled	(311,528)	(269)	-	-
Stock options exercised	-	-	334,334	537
Issued, at September 30	17,584,158	\$ 15,203	17,895,686	\$ 15,472

During the nine months ended September 30, 2006, 50,000 options were granted with an exercise price of \$3.05. No options were exercised. As at September 30, 2006 the Corporation had outstanding 655,000 options convertible into Common Shares (December 31, 2005 - 605,000), of which 479,999 are currently exercisable (December 31, 2005 - 404,999).

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

7. *Share Capital (Continued)*

(\$ thousands, except share and per share amounts)

For the three months ended September 30, 2006, the Corporation recognized stock based compensation expense of \$32 (September 30, 2005 - \$18) related to the estimated fair value of options granted. Stock based compensation expense for the nine months ended September 30, 2006 was \$111 (2005 - \$89). 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.

Under the Laird purchase agreement, 311,528 shares with a stated value of \$269 were issued from treasury and placed in escrow to support a refundable deposit of \$1,000. If Laird did not achieve specified performance measures by December 31, 2005, the deposit was due to be refunded to Churchill by April 30, 2006. During the nine months ended September 30, 2006, the shares were returned from escrow for cancellation to satisfy the refundable deposit with a difference of \$731 being charged to retained earnings.

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

(\$ thousands, except per share amounts)

	Nine months ended September 30	
	2006	2005
Net earnings	\$ 4,413	\$ 2,124
Weighted average number of common shares outstanding	17,784,997	15,048,320
Incremental number of shares under treasury stock method	271,090	108,182
	18,056,087	15,156,502
Net earnings per Common Share:		
Basic	\$ 0.25	\$ 0.14
Fully diluted	\$ 0.24	\$ 0.14

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.

9. *Related Party Transactions*

(\$ thousands)

For the three months ended September 30, 2006, the Corporation incurred legal fees of \$63 (2005 - \$11) 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. Legal fees of \$180 (2005 - \$93) were incurred with this law firm for the nine months ended September 30, 2006.

For the three months ended September 30, 2006, the Corporation incurred expenses of \$42 (2005 - \$15) for facility costs relating to rental of a building which is owned by a director of the Corporation. Facility costs of \$106 (2005 - \$45) for this building were incurred for the nine months ended September 30, 2006.

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.

10. **Segmented Information (Continued)**
(\$ thousands)

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 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 of the audited consolidated financial statements for the fiscal year ended December 31, 2005. 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, 2006	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill & Intangibles	Total Assets	Capital Expenditures
Buildings	\$ 77,181	\$ 2,234	\$ 161	\$ -	\$ 92,084	\$ 1,164
Industrial General Contracting	11,554	(822)	147	-	3,297	107
Industrial Insulation Contracting	21,810	2,148	75	-	14,958	22
Industrial Electrical Contracting	34,918	1,618	210	7,315	20,719	231
Corporate and Other	-	(619)	128	210	49,775	64
Inter-segment Adjustments	(10)	-	-	-	-	-
	\$ 145,453	\$ 4,559	\$ 721	\$ 7,525	\$ 180,833	\$ 1,588

Three months ended Sept 30, 2005	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill & Intangibles	Total Assets	Capital Expenditures
Buildings	\$ 54,557	\$ 1,209	\$ 148	\$ -	\$ 64,281	\$ 113
Industrial General Contracting	24,503	(882)	207	-	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	\$ 7,315	\$ 132,368	\$ 538

Nine months ended Sept 30, 2006	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill & Intangibles	Total Assets	Capital Expenditures
Buildings	\$ 204,081	\$ 4,190	\$ 412	\$ -	\$ 92,084	\$ 1,536
Industrial General Contracting	41,203	(1,277)	461	-	3,297	178
Industrial Insulation Contracting	60,435	3,605	245	-	14,958	53
Industrial Electrical Contracting	73,264	2,697	516	7,315	20,719	917
Corporate and Other	-	(2,385)	337	210	49,775	548
Inter-segment Adjustments	(102)	-	-	-	-	-
	\$ 378,881	\$ 6,830	\$ 1,971	\$ 7,525	\$ 180,833	\$ 3,232

Nine months ended Sept 30, 2005	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill & Intangibles	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

For the three months ended September 30, 2006, the Corporation recorded revenues in excess of 10% of its contract revenue from one customer (2005 – one customer). Contract revenue from the customer was \$20,926 (2005 – \$22,054). The revenue was earned in the Industrial Electrical Contracting and Industrial Insulation Contracting segments.

For the nine months ended September 30, 2006, the Corporation had no revenue from any customer in excess of 10% of its contract revenue (2005 – one customer). Contract revenue from the customer was \$0 (2005 – \$62,141). The revenue was earned in the Industrial Electrical Contracting and Industrial Insulation Contracting segments.

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