the Churchill Corporation

2013 Annual report
For the three and twelve months ended December 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of The Churchill Corporation ("Churchill" or the "Corporation"), for the twelve months ended December 31, 2013, dated March 16, 2014, should be read in conjunction with the December 31, 2013 Audited Consolidated Annual Financial Statements and related notes thereto. Unless otherwise specified all amounts are expressed in Canadian dollars.

On January 1, 2011, International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, became the Canadian generally accepted accounting principles ("GAAP") for the basis of preparation of financial statements for publicly accountable enterprises. The information presented in this MD&A, including information relating to comparative periods in 2012, is presented in accordance with IFRS unless otherwise noted.

Readers should also read the section titled "Forward-Looking Information" at the end of this document.

EXECUTIVE SUMMARY

Core Business and Strategy

The Corporation provides general contracting, electrical contracting and data systems in the institutional and commercial markets, and general contracting, electrical, mechanical, earthmoving, insulation and specialty trade services in the industrial construction market.

Results

- In 2013, our EBITDA increased by 5.4% to $41.1 million, compared to $39.0 million in 2012. Net earnings improved to $5.1 million in 2013 from a net loss of $62.3 million in 2012, primarily due to positive contributions from the General Contracting segment, strong Commercial Systems and Industrial Services results and 2012 impairment losses of $64.6 million not repeating in 2013. Fully diluted earnings per share of $0.21 in 2013 compares favourably to a diluted loss per share of $2.55 in 2012.
- As at December 31 2013, the Corporation was in full compliance with its covenants under its long-term debt.

Declaration of Common Share Dividend

On March 16, 2014, Churchill's Board of Directors declared a common share dividend of $0.12 per share. The dividend is designated as an eligible dividend under the Income Tax Act (Canada) and is payable April 15, 2014 to shareholders of record on March 31, 2014. The declaration of this dividend reflects the confidence of Churchill's Board of Directors in the ability of the Corporation to generate ongoing cash flows adequate to support management's plans to grow Churchill's operations, while providing a certain amount of income to its shareholders. The Board's intention is to maintain a quarterly dividend that rewards existing shareholders and provides new investors with an income incentive to invest in the Corporation's common shares.

The Corporation has in place a dividend reinvestment plan ("DRIP"), for which details are available on Churchill's website (www.churchillcorporation.com).

Future dividend payments may vary depending on a variety of factors and conditions existing from time-to-time, including overall profitability, debt service requirements, operating costs and other factors affecting cash flow.

Outlook

Our 2013 EBITDA was slightly above our expectations as communicated at the end of the third quarter in 2013. Lower than forecasted revenues in our General Contracting segment were more than offset by improved General Contracting margins and strong project execution in the Commercial Systems and Industrial Services segment. Backlog at December 31, 2013 is $2.1 billion which represents a historical high for the Corporation. We anticipate this backlog will be executed from 2014 to 2017, with steady volume growth in the Commercial Systems and Industrial Services segments, and volume and margin improvement from the General Contracting segment in late 2014 and into 2015.

CORE BUSINESS AND STRATEGY

Churchill provides construction and maintenance services to the institutional, commercial and industrial markets. As of December 31, 2013, Churchill had 3,264 employees (680 salaried employees and 2,584 hourly employees). Churchill is focused on growing revenue and earnings through organic growth and an expanded geographical presence, accelerating the growth of its higher margin Industrial Services segment and leveraging client relationships through integrating the services of its industrial operating companies. From time to time, the Corporation will evaluate strategic acquisition opportunities that are complementary to existing business operations.

Strategy

- Operate as an integrated operationally focused construction company;
- Emphasize value added construction and other partnering methods of project delivery;
- Target contracts for larger, more complex projects;
- Improve diversity of product and service lines;
- Bundle the broad range of industrial services to increase market share in the maintenance, repair and operations ("MRO") sector;
- Expand geographically to create value;
- Hire the best people and ensure that they have the best tools; and
- Maintain a strong balance sheet to support growth objectives.

Business Segments

The Corporation reports its results under four business segments: General Contracting, Commercial Systems, Industrial Services, and Corporate and Other. The Corporation regularly analyzes the results of these categories independently as they serve different end-markets, require different execution skill sets, generate different gross margin yields and have different risk profiles. The evaluation of results by

segment and by individual operating entity is consistent with the way in which management performance is assessed. In order to more clearly present operating results for the Corporation, the discussion of business results within this MD&A is focused mainly at the business segment level.

General Contracting

Stuart Olson Construction Ltd. (“Stuart Olson Dominion”) forms the General Contracting segment. Headquartered in Calgary, Alberta, Stuart Olson Dominion constructs commercial, institutional and industrial buildings. Stuart Olson and Dominion have been general contractors since 1939 and 1911, respectively. Stuart Olson Dominion has branch offices in Richmond, British Columbia; Calgary and Edmonton, Alberta; Saskatoon, Saskatchewan; Winnipeg, Manitoba; and Mississauga, Ontario.

Stuart Olson Dominion’s preferred operating methodology is Integrated Project Delivery, which includes, at a minimum, tight collaboration between the owner, architect/engineers and the builder ultimately responsible for construction of the project, from early design to project handover. As construction manager and a member of the project team, Stuart Olson Dominion has the opportunity to provide significant cost, schedule, and constructability input into the design. Integrated projects may take the form of Construction Management at Risk (“CM”); meaning Stuart Olson Dominion works in a consultative way on a cost-plus fee basis for the design phase of the project and converts the arrangement to a fixed price contract for the construction phase. This is a value-added form of project delivery which differentiates Stuart Olson Dominion from other general contractors who prefer to perform tendered (hard-bid) projects. The construction manager generally mitigates price and schedule risk by entering into fixed price contracts, with defined scope and timeline, with the subcontractors that it selects to build the project. Most of Stuart Olson Dominion’s clients prefer this form of project delivery.

For 2013, Stuart Olson Dominion comprised 45% of Churchill’s consolidated revenue (excluding intersegment eliminations), 12% of earnings before interest, taxes, depreciation and amortization (“EBITDA”) (excluding the Corporate and Other segment and intersegment eliminations) and 76% of total backlog. In 2012, Stuart Olson Dominion comprised 55% of consolidated revenue, 13% of consolidated EBITDA and 66% of total backlog.

Commercial Systems

Canem Holdings Ltd. (“Canem”) forms the Commercial Systems segment, which designs, builds, maintains and services electrical and data communication systems for commercial, institutional, light industrial and multi-tenant residential customers. With its head office in Richmond, B.C., its services include: (a) design of electrical systems within a building or complex; (b) procurement and installation of electrical equipment and materials; (c) on-call service for electrical maintenance and troubleshooting; (d) preventative and scheduled maintenance for critical component installations; (e) budgeting and pre-construction services; and (f) management of regional and national contracts for multi-site installations. Canem’s acquisition of McCaine Electric Ltd. (“McCaine”), which closed on April 29, 2011, expanded Canem’s footprint into Manitoba.

For 2013, Canem comprised 19% of Churchill's consolidated revenue (excluding intersegment eliminations), 32% of consolidated EBITDA (excluding the Corporate and Other segment and intersegment eliminations) and 8% of total backlog. In 2012, Canem comprised 15% of consolidated revenue, 28% of consolidated EBITDA and 12% of total backlog.

Industrial Services

Churchill Services Group Inc. ("CSG") forms our Industrial Services segment. CSG has three divisions: Laird Electric Inc. ("Laird Electric"), Laird Constructors Inc. ("Laird Constructors"), and Specialty Services (being Fuller Austin Inc. ("Fuller Austin") and Northern Industrial Insulation Contractors Inc. ("Northern"). Broda Construction Inc. ("Broda") is also included in the Industrial Services segment.

Laird Electric is headquartered in Edmonton, Alberta and provides electrical, instrumentation and high-voltage construction and maintenance services to resource and industrial clients, primarily in the oil and gas industry within the Fort McMurray and greater Edmonton regions.

Laird Constructors is headquartered in Sudbury, Ontario and is a multi-trade contractor providing electrical, instrumentation, power-line, mechanical and structural construction and maintenance services to resource and industrial clients, primarily in the mining and power generation industries in Ontario, Manitoba and Saskatchewan.

Specialty Services is headquartered in Edmonton, Alberta. It serves industrial clients with insulation, asbestos abatement, siding application, heating, ventilation and air conditioning ("HVAC") and plant maintenance services. Its clients are in the oil sands, oil and natural gas, petrochemical, forest products, power utilities and mining industries.

Broda is headquartered in Prince Albert, Saskatchewan, providing aggregate processing, earthwork, civil construction, concrete production and related services to mining and infrastructure organizations, as well as providing ballast to Canada's two major railway corporations.

CSG and Broda have many similarities, including common customers such as Saskatchewan's major potash and uranium mining organizations. Management believes that offering fully integrated industrial services through CSG has allowed, and will continue to allow Churchill, to pursue larger projects and contracts within the industrial environment.

In 2013, Industrial Services comprised 36% of Churchill's consolidated revenue (excluding intersegment eliminations), 56% of EBITDA (excluding the Corporate and Other segment and intersegment eliminations) and 16% of total backlog. In 2012, Industrial Services comprised 30% of consolidated revenue, 59% of EBITDA and 23% of total backlog.

Corporate and Other

The Corporate and Other segment includes Churchill's corporate centre which provides strategic direction, operating oversight, legal services, financing, infrastructure services and management of public company requirements, to each of Churchill's business segments. The costs of some functions,

such as information technology services, are allocated proportionately to the other business segments, and other costs remain in Corporate and Other.

Additionally, the Corporation reports certain assets held-for-sale. At December 31, 2013, these consisted of agricultural land located near Lamont, Alberta.

Key Performance Drivers and Capabilities

Our performance depends upon, among other things, our ability to maintain a strong safety program, attract and retain qualified people, utilize strong project and financial reporting systems and processes to manage projects and costs efficiently, generate new business (backlog) by exceeding customer expectations and maintaining adequate liquidity to fund working capital and pursue growth initiatives.

Safety

A focused safety culture and strong safety program is of the highest importance in our operating companies. To reinforce this culture, the executive leadership team at Churchill participates directly via the Health, Safety and Environment ("HS&E") Council and the HS&E Committee of Churchill's Board of Directors. A focused safety culture and an excellent safety record are an essential organizational characteristic and fundamental for success. It is also a critical element in pre-qualifying for projects and in our ability to recruit the best employees across the entire organization.

People

To attract and retain qualified staff we offer market-competitive compensation and benefits, including employee referral bonuses, year-end cash bonuses, an employee share purchase plan, and matching contributions into a Registered Retirement Savings Plan ("RRSP") or enrolment in a defined-contribution pension plan.

We engage in company-wide town hall meetings to promote engagement and provide a link to the other organizations within the Churchill group of companies. We offer leadership and career development opportunities. To measure our success in attracting and retaining staff, we use tools such as onboarding and exit interviews. We also track turnover rates for our staff through our human resources department.

Systems

We have invested heavily in technology to put the best tools in the hands of our employees so they can be successful in delivering projects.

Operational Excellence

Successful project delivery is at the core of operational excellence. It's required for Churchill to retain its clients and secure new ones. Successful project delivery includes meeting targets for health and safety performance, budget, schedule, quality of work and client satisfaction.

Backlog

Procuring quality new work is a function of the economy and markets we operate within. While we are always seeking ways to identify and procure new clients, a significant proportion of our projects are

awarded to us from repeat clients. Competition from Canadian and foreign entities, along with consultant and client procurement strategies can impede our ability to replace backlog.

Liquidity

Maintaining a strong financial position is important to demonstrate to shareholders, creditors and clients that the company is sufficiently capitalized to deliver on its commitments. It also allows the company to support existing operations and plan for its future growth.

Geographic and Service Expansion

The continued expansion of our geographic coverage and the introduction of new, products and services are important to our success as they provide opportunities for organic growth. In recent years we have expanded into Saskatchewan, Manitoba, Northern Ontario and the Greater Toronto Area ("GTA") markets both organically and through acquisition.

RISKS

Various factors could cause our actual results to differ materially from those anticipated in our forward-looking statements and are described in this document and the "Risk Factors" section of Churchill's Annual Information Form.

RESULTS OF OPERATIONS

Selected Annual Financial Information

($millions, except per share amounts)	Year ended December 31 2013	2012[1]	2011
Contract revenue	$ 1,106.5	$ 1,222.1	$ 1,409.2
Contract income[2]	113.9	114.2	150.0
EBITDA from continuing operations[3]	41.1	39.0	72.0
Net earnings from continuing operations	5.1	(62.3)	24.1
Net earnings from discontinued operations	-	-	0.8
Net earnings	5.1	(62.3)	24.9
Net earnings per common share from continuing operations			
- Basic	$ 0.21	$ (2.55)	$ 0.99
- Diluted	0.21	(2.55)	0.91
Net earnings per common share			
- Basic	0.21	(2.55)	1.02
- Diluted	0.21	(2.55)	0.94
Dividend per share	0.48	0.48	0.36
Backlog[3]	$ 2,116.2	$ 1,690.5	$ 1,842.6
Working capital[3]	84.9	79.2	86.0
Long-term debt (excluding current portion)	50.3	51.9	60.4
Convertible debentures (excluding equity portion)	81.9	79.2	76.7
Total assets	694.7	742.4	888.5

Note: (1) *Refer to Note 3 to the notes to the consolidated financial statements for retrospecitve adoption of IAS 19 (2011).*

(2) *Includes reclassification of costs between contract costs and administrative costs. The amount of the reclassification was $7.6 milllion for the year ending December 31, 2012 and $7.9 million for the year ending December 31, 2011*

(3) *"EBITDA" is earnings from continuing operations before interest, taxes, depreciation and amortization and impairment losses. Working capital is current assets less current liabilities. EBITDA, working capital and backlog are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these items.*

For the year ended December 31 2013, consolidated contract revenue was $1,106.5 million, compared to $1,222.1 million in 2012, a 9.5% decrease. The General Contracting segment's revenue decreased by $184.0 million (26.2%), the Commercial Systems segment's revenue increased by $25.5 million (13.6%), and the Industrial Services segment revenue increased by $29.8 million (7.8%). Intersegment revenue during 2013 was $28.8 million, a decrease of $13.0 million or 31.1% compared to 2012, primarily resulting from less intercompany activity between the Corporation's business segments.

Contract income declined from $114.2 million (9.3% of revenue) in 2012 to $113.9 million (10.3% of revenue) in 2013. The $0.3 million year-over-year decline in contract income is made up of a $1.6 million (3.7%) increase and $5.4 million (20.2%) increase in the Industrial Services and Commercial Systems segments, respectively, offset by a $3.1 million (7.9%) and $4.2 million (83.8%) decrease in the General Contracting and intersegment segment elimination, respectively.

Administrative expenses, excluding depreciation and amortization, for the year ended 2013 of $84.1 million (7.6% of revenue) reflect a $4.3 million decrease compared to $88.4 million (7.2% of revenue) in 2012. Administrative expenses decreased by $6.5 million (17.1%) in the General Contracting segment, and by $0.1 million (0.7%) in the Commercial Systems segment, offset by a $0.3 million (1.6%) and $2.0

million (11.4%) increase in administrative expenses in the Industrial Services and Corporate segments, respectively.

The net impact of the aforementioned differences in revenue, contract income and administrative expense was a $2.1 million (5.4%) increase in 2013 EBITDA to $41.1 million, compared to $39.0 million in 2012. The Corporation's consolidated net earnings for the year ended 2013 were $5.1 million from a net loss of $62.3 million in the same period of 2012. This $67.4 million improvement consisted of the 2012 impairment loss of $64.6 million not repeating in 2013 and a $6.8 million increase in earnings before tax ("EBT"), offset by a$4.0 million increase in income tax expense.

As at December 31, 2013, Churchill's backlog, including work-in-hand and active backlog was $2,116.2 million, compared to $1,690.5 million at December 31, 2012, a $425.7 million (25.2%) increase. Backlog consists of work-in-hand of $1,159.8 million (December 31, 2012 – $964.5 million) and active backlog of $956.4 million (December 31, 2012 – $726.0 million). The backlog consists of approximately 59% construction management ("CM"), 25% cost-plus arrangements (combined total of 84% CM and cost-plus) and 16% tendered (hard-bid) work. New contract awards and net increases in contract value of $1,330.5 million were added to work-in-hand in the year ended 2013 (2012 – $1,327.2 million).

Annual Results of Operations by Segment

The following tables set out selected annual results by operating segment:

($millions, except margin percent)	Year ended December 31, 2013					
	Total	General Contracting	Commercial Systems	Industrial Services	Corporate and Other	Intersegment Eliminations
Contract revenue	$ 1,106.5	$ 508.0	$ 213.7	$ 413.5	$ -	$ (28.8)
Contract income	113.9	36.2	32.2	44.7	-	0.8
Contract income margin	10.3%	7.1%	15.1%	10.8%	-	-
Administrative expenses	84.1	31.5	13.7	19.7	19.2	-
EBITDA[4]	41.1	7.2	19.3	32.9	(19.1)	0.8
EBITDA margin[4]	3.7%	1.4%	9.0%	8.0%	-	-
EBT	7.0	3.2	17.7	24.0	(38.5)	0.6
Backlog[4]	$ 2,116.2	$ 1,615.1	$ 164.7	$ 336.4	$ -	$ -

	Year ended December 31, 2012[1]					
	Total	General Contracting	Commercial Systems[2]	Industrial Services	Corporate and Other	Intersegment Eliminations
Contract revenue	$ 1,222.1	$ 692.0	$ 188.2	$ 383.7	$ -	$ (41.8)
Contract income	114.2	39.3	26.8	43.1	-	5.0
Contract income margin	9.3%	5.7%	14.2%	11.2%	-	-
Administrative expenses[3]	88.5	38.0	13.8	19.4	17.3	(0.1)
EBITDA[4]	39.0	6.8	14.0	30.4	(17.3)	5.1
EBITDA margin[4]	3.2%	1.0%	7.5%	7.9%	-	-
EBT	(64.4)	2.7	11.5	19.6	(100.6)	2.4
Backlog[4]	$ 1,690.5	$ 1,115.8	$ 194.3	$ 380.4	$ -	$ -

Notes:
(1) Refer to Note 3 to the notes to the consolidated financial statements for retrospective adoption of IAS 19 (2011).
(2) Includes reclassification of costs between contract costs and administrative costs. The amount of reclassification the year ending December 31, 2012 was $7.6.
(3) Includes reclassification of short-term compensation costs between segments resulting in an increase in EBITDA of $0.7, $1.8 and $1.1 in the General Contracting, Commercial Systems and Industrial Services segments, respectively; and a corresponding decrease in EBITDA in Corporate and Other.
(4) "EBT" is earnings from continuing operations before income tax. EBITDA, EBITDA margin and backlog are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these items.

General Contracting

For the year ended December 31, 2013, Stuart Olson Dominion's revenue was $508.0 million, compared to $692.0 million in the year ended December 31, 2012. This $184.0 million or 26.6% decrease in 2013 was primarily attributable to being in the pre-construction and early construction stages on several new projects.

As a result of these lower activity levels, Stuart Olson Dominion's contract income in the year ended December 31, 2013 decreased by $3.1 million, or 7.9%, to $36.2 million from $39.3 million for 2012. The contract income margin for the year ended December 31, 2013 was 7.1% compared to 5.7% in the year ended December 31, 2012. The increase in contract income margins resulted from the execution of projects in backlog that contained stronger embedded margins and improved project execution.

EBITDA for Stuart Olson Dominion in the year ended December 31, 2013 was $7.2 million compared to $6.8 million in 2012. This improvement in EBITDA resulted from higher project margins and a reduction in administrative expenses during the year.

Stuart Olson Dominion had backlog of $1,615.1 million as at December 31, 2013, compared to backlog of $1,115.8 million at December 31, 2012, a $499.3 million or 44.7% increase. As at December 31, 2013 approximately 74% of Stuart Olson Dominion's backlog was composed of CM assignments, 20% was cost-plus projects (combined total of 94% CM and cost-plus) and 6% were tendered projects. The December 31, 2013 backlog consisted of $738.4 million of work-in-hand and $876.7 million of active backlog, compared to $575.6 million of work-in hand and $540.2 million of active backlog as at December 31, 2012. In respect of work-in-hand, the segment contracted $670.8 million of new awards and scope increases during the year and executed $508.0 million of contract revenue.

Commercial Systems

For the year ended December 31, 2013, Canem's revenue was $213.7 million, compared to $188.2 million in 2012. This $25.5 million or 13.6% increase was primarily attributable to increased revenue from the Alberta, British Columbia and Manitoba regions.

Canem's contract income for 2013 was $32.2 million or 15.1% of revenue, compared to $26.8 million or 14.2% of revenue in 2012. Contract income growth during 2013 was attributable to the increase in revenue during the year and increased margins from British Columbia and Manitoba.

Canem reported EBITDA for the year ended December 31, 2013 of $19.3 million or 9.0% of revenue, compared to $14.0 million or 7.5% of revenue in the year ended December 31, 2012. This $5.3 million (37.9%) increase was due to the aforementioned growth in contract income and reduction in administrative expenses during 2013.

Canem had total backlog of $164.7 million as at December 31, 2013, compared to total backlog of $194.3 million at December 31, 2012, a $29.6 million or 15.2% decrease. As at December 31, 2013 Canem's backlog was composed of approximately 29% of CM and cost-plus projects and 71% tendered projects. The December 31, 2013 backlog consisted of $139.7 million of work-in-hand and $25.0 million of active backlog compared to $127.1 million of work-in-hand and $67.2 million of active backlog at December 31, 2012. In respect of work-in-hand, the segment contracted $226.3 million of new awards and increases in contract value during the year and executed $213.7 million of construction activity.

Industrial Services

For the year ended December 31, 2013, the Industrial Services segment's revenue was $413.5 million, compared to $383.7 million in the year ended December 31, 2012, a 7.8% increase. The revenue increase in 2013 was due to strong levels of maintenance and turnaround activity in Alberta's oil sands and Saskatchewan's mining sector.

The segment's contract income in the year ended December 31, 2013 increased by $1.6 million, or 3.7%, to $44.7 million from $43.1 million in 2012. In 2013, contract income margin was 10.8% compared to

11.2% in the year ended December 31, 2012. Higher levels of activity in conjunction with solid project execution contributed to contract income growth.

EBITDA for Industrial Services in the year ended December 31, 2013 was $32.9 million compared to $30.4 million in 2012. The increase in EBITDA was largely due to the greater revenue and increase in contract income margins.

Industrial Services had backlog of $336.4 million as at December 31, 2013, compared to backlog of $380.4 million at December 31, 2012, a $44.0 million or 11.6% decrease. As at December 31, 2013, 55% of the Industrial Services backlog consisted of cost plus projects and the remaining 45% were tendered projects. The December 31, 2013 backlog consisted of $281.7 million of work-in-hand and $54.7 million of active backlog, compared to $261.8 million of work-in-hand and $118.6 million of active backlog at December 31, 2012. In respect of work-in-hand, the Industrial Services segment contracted $433.4 million of new awards and scope increases during the year and executed $413.5 million of construction activity.

Corporate and Other

The Corporate and Other segment's administrative expenses, excluding depreciation and amortization, were $19.2 million in the year ended December 31, 2013 compared to $17.3 million in the year ended December 31, 2012, a $1.9 million (11.0%) increase. The increase is primarily related to incentive compensation during the year ended December 31, 2013.

The Corporate and Other's segment finance costs were $11.4 million in the year ended December 31, 2013 compared to $11.4 million in the year ended December 31, 2012. The similar finance costs in 2013 resulted from slightly lower average outstanding debt balances, offset by slightly higher interest rates during the year.

The Corporate and Other segment's depreciation and amortization expense was $8.1 million in the year ended December 31, 2013 compared to $13.0 million in the year ended December 31, 2012, a $4.9 million (37.7%) decline. These amounts reflect the amortization of the unamortized balances associated with intangible assets acquired with the acquisition of Dominion, Canem and Broda and the amortization of the Corporation's SAP-based ERP system. The majority of the decrease in 2013 is from having fully amortized all of the Dominion and the majority of Canem`s backlog and agency intangibles at the end of 2012. The decrease is also due to no current amortization on the assets that were written off in 2012 due to an impairment loss of $4.1 million in relation to Broda`s intangible assets.

In the year ended December 31, 2013, the Corporate and Other segment incurred a loss before tax of $37.9 million compared to a loss before tax of $98.3 million in the year ended December 31, 2012, primarily as a result of the Corporate segment accruing the incentive compensation for the entire company in 2013, a decrease in depreciation and amortization costs and the asset impairment of $64.6 million recorded in 2012.

Fourth Quarter Results of Operations by Segment

($millions, except margin percent)	Three months ended December 31, 2013					
	Total	General Contracting	Commercial Systems	Industrial Services	Corporate and Other	Intersegment Eliminations
Contract revenue	$ 297.0	$ 136.7	$ 60.3	$ 109.4	$ -	$ (9.4)
Contract income	35.5	13.7	9.9	11.5	-	0.5
Contract income margin	11.9%	10.0%	16.4%	10.5%	-	-
Administrative costs	25.5	9.0	4.3	5.2	7.1	-
EBITDA[4]	12.8	5.2	5.8	8.4	(7.1)	0.5
EBITDA margin[4]	4.3%	3.8%	9.6%	7.7%	-	-
EBT	3.9	4.3	5.4	6.0	(12.2)	0.4
Backlog[4]	$ 2,116.2	$ 1,615.1	$ 164.7	$ 336.4	$ -	$ -
	Three months ended December 31, 2012[1]					
	Total	General Contracting	Commercial Systems[2]	Industrial Services	Corporate and Other	Intersegment Eliminations
Contract revenue	$ 289.9	$ 152.4	$ 49.4	$ 96.3	$ -	$ (8.2)
Contract income	30.6	11.0	5.8	13.0	-	0.8
Contract income margin	10.5%	7.2%	11.7%	13.5%	-	-
Administrative costs[3]	24.3	9.3	2.6	4.4	8.0	-
EBITDA[4]	9.0	2.6	3.3	10.2	(7.9)	0.8
EBITDA margin[4]	3.1%	1.7%	6.7%	10.6%	-	-
EBT	(65.3)	1.5	2.7	5.1	(73.0)	(1.5)
Backlog[4]	$ 1,690.5	$ 1,115.8	$ 194.3	$ 380.4	$ -	$ -

Notes:

(1) Refer to Note 3 to the notes to the consolidated financial statements for retrospective adoption of IAS 19 (2011).

(2) Includes reclassification of costs between contract costs and administrative costs. The amount of reclassification for the three month period ending December 31, 2012 was $2.0.

(3) Includes reclassification of short-term compensation costs between segments resulting in an increase in EBITDA of $0.5, $0.4 and $0.6 in the General Contracting, Commercial Systems and Industrial Services segments, respectively; and a corresponding decrease in EBITDA in Corporate and Other.

(4) "EBT" is earnings from continuing operations before income tax. EBITDA, EBITDA margin and backlog are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these items.

For the three months ended December 31, 2013, consolidated contract revenue was $297.0 million, compared to $289.9 million in Q4 2012, a 2.5% increase. The General Contracting segment's revenue decreased by $15.7 million or 10.3%, the Commercial Systems segment's revenue increased by $10.9 million or 22.1%, and the Industrial Services segment revenue increased by $13.1 million or 13.6%. Intersegment revenue during the fourth quarter of 2013 was $9.4 million, an increase of $1.2 million or 14.7% compared to Q4 2012, primarily resulting from an increase in intercompany activity between the Corporation's business segments.

Contract income increased from $30.6 million (10.5% of revenue) in the fourth quarter of 2012 to $35.5 million (11.9% of revenue) in the fourth quarter of 2013. The $4.9 million year-over-year increase in contract income is made up of a $2.7 million (24.5%) increase and $4.1 million (71.0%) increase in the General Contracting and Commercial Systems segments respectively, offset by a $1.5 million (11.6%) and $0.3 million (40.2%) decline in the Industrial Services and Intersegment Segment elimination, respectively. Administrative expenses for the fourth quarter of 2013 amounted to $25.5 million (8.6% of revenue) compared to $24.3 million (8.4% of revenue) in the fourth quarter of 2012.

Administrative expenses increased by $1.3 million in the fourth quarter of 2013 due to increases of $1.7 million (64.5%) and $0.8 million (18.2%) in the Commercial Systems and Industrial Services segments, respectively. The increase in administrative expenses was partially offset by decreases of $0.3 million (2.9%) in the General Contracting segment and $0.9 million (10.9%) in the remaining business segments.

The net impact of the aforementioned differences in revenue, contract income and administrative expense was a $3.8 million (42.2%) increase in fourth quarter 2013 EBITDA to $12.8 million as compared to $9.0 million in Q4 2012.

The Corporation's consolidated net earnings for the fourth quarter of 2013 were $3.3 million compared to a net loss of $62.7 million in the same period of 2012, a $66.1 million increase, consisting of the 2012 impairment loss of $64.6 million not repeating in 2013 and a $4.6 million increase in earnings before tax ("EBT"), offset by a $3.1 million increase in income tax expense.

General Contracting

For the three months ended December 31, 2013, Stuart Olson Dominion's revenue was $136.7 million, compared to $152.4 million in the three months ended December 31, 2012. This $15.7 million or 10.3% decrease in the fourth quarter of 2013 was primarily attributable to being in the pre-construction and early construction stages on several new projects during the period, delaying revenue into 2014 on a number of projects.

Stuart Olson Dominion's contract income in the fourth quarter of 2013 increased by 24.5%, to $13.7 million, from $11.0 million for the three months ended December 31, 2012. The increase in contract income margins resulted from the execution of projects in backlog that contained stronger embedded margins and improved project execution.

The contract income margin was 10.0% in Q4 2013 compared to 7.2% in the fourth quarter of 2012.

EBITDA for Stuart Olson Dominion in the three months ended December 31, 2013 was $5.2 million compared to $2.6 million in the fourth quarter of 2012. This $2.6 million improvement in EBITDA was mainly due to the aforementioned increase in contract income.

Commercial Systems

The Commercial Systems segment's fourth quarter 2013 revenue was $60.3 million, compared to $49.4 million in the three months ended December 31, 2012. This $10.9 million or 22.1% increase was primarily attributable to increased revenue from flood recovery work in Southern Alberta and slight revenue increases in Manitoba and British Columbia.

Contract income in the fourth quarter of 2013 increased by $4.1 million, or 71.0%, to $9.9 million from $5.8 million during the fourth quarter of 2012. This resulted in a contract income margin of 16.4% for the fourth quarter of 2013 compared to 11.7% in the fourth quarter of 2012. The increased margin is attributable to the execution of higher margin projects during the fourth quarter of 2013.

EBITDA for Canem in the fourth quarter of 2013 was $5.8 million (9.6% EBITDA margin) compared to $3.3 million (6.7% EBITDA margin) in the fourth quarter of 2012. This $2.5 million (75.8%) increase was due to the aforementioned increase in revenue and contract income.

Industrial Services

For the Industrial Services segment, fourth quarter 2013 revenue increased by $13.1 million, or 13.6%, to $109.4 million from $96.3 million in the fourth quarter of 2012. The revenue increase in 2013 was due to strong levels of activity in Alberta's oil sands and Saskatchewan's mining sector.

Industrial Services' contract income in the three months ended December 31, 2013 decreased by 11.5% to $11.5 million from $13.0 million for the fourth quarter of 2012. Contract income margins were lower at 10.5% in the three months ended December 31, 2013 as compared to 13.5% in the fourth quarter of 2012, primarily as a result of the project mix being made up of lower risk, lower margin cost reimbursable projects.

EBITDA for the Industrial Services segment decreased by $1.8 million, or 17.6%, to $8.4 million (7.7% EBITDA margin) for the three months ended December 31, 2013 from $10.2 million (10.6% EBITDA margin) in the fourth quarter of 2012.The decrease in EBITDA resulted from the combination of lower contract income and higher administrative expenses on a year-over-year basis.

Corporate and Other

The Corporate and Other segment's administrative expenses, excluding depreciation and amortization, were $7.1 million in the fourth quarter of 2013 compared to $7.9 million in the fourth quarter of 2012, a $0.8 million (10.1%) decrease. The decrease is primarily related to a reduction in short term incentive program recorded in the fourth quarter of 2013.

The Corporate and Other's segment finance costs were $2.9 million in the fourth quarter of 2013 compared to $2.8 million in the three months ended December 31, 2012, a 3.6% increase. The increase in finance costs was due to higher interest rates, notwithstanding a lower average debt balance during the period.

The Corporate and Other segment's depreciation and amortization expense was $2.2 million for the three months ended December 31, 2013, compared to $2.9 million in the fourth quarter of 2012, a $0.7 million (24.1%) decrease. These amounts reflect the amortization of the unamortized balances associated with intangible assets acquired with the acquisition of Dominion, Canem and Broda and the amortization of the Corporation's enterprise resource planning ("ERP") system. Of the $0.7 million decrease, the majority of this difference resulted from having fully amortized Dominion's backlog and agency and trade name intangibles and having significantly amortized Canem's backlog and agency intangibles. There is also no amortization costs associated with Broda`s intangibles which were impaired in 2012.

In the fourth quarter of 2013, the Corporate and Other segment incurred a loss before tax of $11.8 million compared to a loss before tax of $74.6 million in the fourth quarter of 2012 primarily as a result of the impairment losses of $64.6 million recorded at the end of 2012.

LIQUIDITY

Cash and Debt Balances

Cash and cash equivalents at December 31, 2013 were $36.2 million, compared to $33.8 million at December 31, 2012, a $2.6 million increase as a result of improved working capital management.

Long-term indebtedness at December 31, 2013, excluding the $2.6 million current portion of long-term debt, amounted to $132.2 million compared to $131.1 million at December 31, 2012, a net increase of $1.1 million. This amount consisted of $81.9 million (December 31, 2012 - $79.2 million) of the debt portion of convertible debentures and $50.3 million (December 31, 2012 - $51.9 million) drawn on Churchill's $200 million, four-year senior revolving credit facility (the "RCF"). As at December 31, 2013, as set out below the Corporation was in full compliance with its covenants and had additional borrowing capacity of $75.0 million available to it under the RCF.

Ratio	Covenant	Actual as at December 31, 2013
Working Capital	>1.10:1.00	1.30:1:00
Interest Coverage	>3.00:1.00	3.97:1:00
Total Debt / EBITDA	<3.00:1.00	1.20:1:00
Senior Debt / EBITDA	<2.75:1.00	1.12:1:00

The amount of the RCF will fluctuate from quarter to quarter as it is drawn to finance working capital requirements, capital expenditures and asset acquisitions, and as it is repaid with funds from operations.

Summary of Cash Flows

	Three months ended December 31		Year ended December 31	
($millions)	**2013**	**2012**	**2013**	**2012**
Operating activities	$ 25.1	$ 27.3	$ 28.7	$ 6.5
Investing activities	(1.7)	(3.3)	(10.1)	(14.1)
Financing activities	(24.4)	(20.7)	(16.2)	(18.1)
Increase (decrease) in cash	$ (1.0)	$ 3.3	$ 2.4	$ (25.7)
Cash and cash equivalents, beginning of period	37.2	30.5	33.8	59.5
Cash and cash equivalents, end of period	$ 36.2	$ 33.8	$ 36.2	$ 33.8

During the year ended December 31, 2013, cash generated from operating activities was $28.7 million compared to $6.5 million during 2012. The increase in cash generated from operations was a result of changes in non-cash working capital balances and improved net earnings. Cash flow from operating activities was $25.1 million in the three months ending December 31, 2013, as compared to $27.3 million in the same period of 2012. The decrease in cash generated from operations was a result of changes in non-cash working capital balances.

During the year ended December 31, 2013, investing activities used $10.1 million of cash compared to $14.1 million in 2012. Net additions to property, equipment and intangibles were lower during 2013 than in 2012. Cash flow used in investing activities was $1.7 million in the three months ending December 31, 2013, as compared to $3.3 million in the same period of 2012. Net additions to property, equipment and intangibles were lower during the fourth quarter of 2013 than in the comparable period of 2012.

During 2013, net cash used for financing activities amounted to $16.2 million, primarily from $4.5 million in net repayment of long term debt, combined with cash dividend payments of $10.2 million. This amount compares to net cash used for financing activities of $18.1 million in 2012, primarily from the repayment of $10.6 million in long-term debt, combined with dividend payments of $9.2 million. Cash used in financing activities total $24.4 million in the three months ending December 31, 2013, as compared to $20.7 million in the comparable period of 2012, primarily due to greater repayment of long term debt in the fourth quarter of 2013.

CAPITAL RESOURCES

The Corporation's objectives in managing its capital are to ensure that there is sufficient liquidity to pursue its growth objectives and maintain the payment of its dividend, while maintaining a prudent amount of financial leverage.

The Corporation's capital is composed of equity and long-term indebtedness. The Corporation's primary uses of capital are to finance operations, its growth strategies and capital expenditure programs.

In 2013, the Corporation's capital expenditures totalled $14.7 million compared to $20.4 million in the year ended December 31, 2012. Capital expenditures during 2013 consisted of $9.6 million for construction and automotive equipment, $2.5 million for tenant improvements, $1.1 million for intangibles, $1.0 million for furniture and equipment and $0.5 million for computer hardware and software.

Capital expenditures are associated with the Corporation's need to maintain and support its existing operations. Management projects a 2014 capital spending program totalling $15.0 million for the full year.

Working Capital

As at December 31, 2013, Churchill had working capital of $84.9 million, compared to $79.2 million at December 31, 2012. Working capital increased primarily due to the relative change in payables as compared to the change in accounts receivable during the year.

On the basis of its current cash and cash equivalents, the ability to generate cash from operations and the undrawn portion of its RCF, the Corporation has the capital resources and liquidity necessary to meet its commitments, support its operations, finance capital expenditures, support growth strategies and fund declared dividends.

Refer to *Note 31* to the Consolidated Annual Financial Statements for additional information regarding the Corporation's management of its capital.

Contractual Obligations

The following are the contractual obligations, including interest payments as at December 31, 2013, in respect of the financial obligations of the Corporation. Interest payments on the RCF have not been included in the table below since they are subject to variability based upon outstanding balances at

various points throughout the period. Further information is included in *Note 30(c)* to the Consolidated Annual Financial Statements.

	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year and less than 3 years	Later than 3 years and less than 5 years	Later than 5 years
Trade and other payables	$ 190,363	190,363	$ 190,363	$ -	$ -	$ -
Provisions including current portion	8,879	8,879	3,987	1,352	-	3,540
Convertible debentures (debt portion)	81,855	94,013	5,175	88,838	-	-
Long-term debt including current portion	52,894	53,028	2,688	510	49,830	-
Lease commitments	62,871	62,871	7,584	12,427	12,427	30,433
	$ 396,862	$ 409,154	$ 209,797	$ 103,127	$ 62,257	$ 33,973

Scheduled debt principal repayments within one year at December 31, 2013 were $2.6 million, compared to $0.8 million at December 31, 2012.

	December 31, 2013	December 31, 2012
Current portion of long-term debt		
Finance contracts	$ 97	$ -
Finance lease obligations	2,462	828
	$ 2,559	$ 828
Non-current		
Revolving credit facility	$ 49,320	$ 51,596
Finance contracts	291	-
Finance lease obligations	724	313
	$ 50,335	$ 51,909

Share Data

The Corporation encourages its employees to invest in its shares by offering an Employee Share Purchase Plan (“ESPP”) available to all full-time employees. At December 31, 2013, the ESPP held 1,630,047 common shares for employees (December 31, 2012 – 1,314,029 common shares). Under the ESPP, common shares are acquired in the open market.

On January 15, April 16, July 16, and October 15, 2013, the Corporation issued 54,073, 56,659, 46,540 and 51,948 common shares, respectively, pursuant to its dividend reinvestment program.

As at December 31, 2013, the Corporation had 24,797,163 common shares issued and outstanding and 1,838,117 options convertible into common shares upon exercise (December 31, 2012 – 24,493,462 common shares and 1,379,981 options). Refer to *Note 28* of the Consolidated Annual Financial Statements for further detail.

As well, the Corporation has 6% convertible debentures outstanding in the principal amount of $86.3 million, convertible into 3,791,205 common shares.

Shareholders’ equity was $237.0 at December 31, 2013 compared to $235.1 million at December 31, 2012. This resulted from net earnings of $5.1 million for the year ended December 31, 2013, a $4.5 million defined benefit plan actuarial gain net of tax, cash dividend payments of $10.2 million, a $1.6

million share capital increase related to DRIP shares issued and share based payment transactions of $2.3 million.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation had no off-balance sheet arrangements in place at December 31, 2013.

RELATED PARTY TRANSACTIONS

During 2013, the Corporation incurred facility costs of $0.4 million (2012 – $0.1 million) for the rental of a building that is 50% owned by Schneider Investments Inc., a company owned by George Schneider, a director of the Corporation. The rented building is the operations base for Churchill Services Group in Fort McMurray. The rental charge is comparable to the market rates for similar properties. A new lease with Schneider Investments Inc. was entered into during the year. Beginning in 2013, lease costs include building operating expenses.

During 2013, the Corporation incurred facility costs of $0.4 million (2012 – $0.4 million) relating to the rental of a building owned by Broda Holdings (2009) Inc., a company owned by Gord Broda, the president of Broda. The rented building is the head office, maintenance facility and operations base for Broda in Prince Albert, Saskatchewan. The rental charge is comparable to the market rates for similar properties.

OUTLOOK

Churchill is well positioned in Western Canada to compete for projects through its three operating business segments. The outlook for Churchill's three operating business segments is described below:

- Stuart Olson Dominion anticipates revenue growth in 2014 together with sequential quarter-over-quarter growth in EBITDA margins as projects transition from tendering into construction phases. Additional detail is included in the General Contracting section below.
- Canem expects modest revenue growth during 2014 as compared to 2013, along with slightly lower EBITDA margins as a result of its project mix in 2014. Additional detail is included in the Commercial Systems section below.
- The Industrial Services segment is expected to continue delivering strong revenues at comparable to slightly lower EBITDA margins to 2013 results. Additional detail is included in the Industrial Services section below.

General Contracting

While the spending outlook by provincial governments in Western Canada is expected to moderately decline during the next three years, the outlook for non-residential private sector spending remains reasonably strong. New commercial projects continue to be advanced in Alberta and a number of major industrial projects are in the front-end engineering and design phase.

Our marketing and business development efforts have been extremely successful year-to-date and we continue to identify additional business development opportunities which could further increase the General Contracting segment`s record $1.6 billion backlog. This level of backlog provides significant visibility to future revenue and, with solid execution, can lead to improved profitability within this segment. In the near term, we expect revenue and margins to experience sequential quarter-over-quarter growth as projects transition from tending into construction phases.

Stuart Olson Dominion expects to execute approximately $569 million of its December 31, 2013 backlog during 2014. New project awards in 2014 are expected to moderately supplement General Contracting segment revenues for the year.

Commercial Systems

Canem expects to execute $165 million of its December 31, 2013 backlog during 2014. New awards, short-duration projects, building maintenance and tenant improvement work will increase the amount of work executed by Canem during 2014.

Canem expects modest revenue growth during 2014 and slightly lower full-year EBITDA margins, as a result of the segment's project mix. Canem is working to increase its margin by improving operational efficiencies and by differentiating itself from the competition by providing building systems integration solutions to support its more traditional operations.

Industrial Services

The industrial segment is expected to execute $306 million of its contracted backlog during 2014. New contract awards, additional short-duration projects, scope changes and industrial maintenance work are expected to supplement the segment's annual revenue. While Industrial Services revenues are expected to be lower in the first quarter relative to the rest of the year, reflecting weather limitations, activity levels will ramp up through the balance of the year.

The segment expects to continue supporting its backlog in 2014 with Alberta's oil sands and Saskatchewan and Ontario's mining districts continuing to provide numerous industrial construction and maintenance opportunities. Margins are expected to remain stable, reflecting a high proportion of low-risk, cost-plus maintenance work in the revenue mix.

QUARTERLY FINANCIAL INFORMATION

The following table sets out selected quarterly financial information of the Corporation for the most recent eight quarters:

($millions, except per share data and percentages)	2013 Quarter ended:				2012[1] Quarter ended:			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Contract revenue	$ 297.0	$ 294.8	$ 277.8	$ 236.8	$ 289.9	$ 303.2	$ 295.8	$ 333.2
Continuing operations:								
EBITDA[2]	$ 12.8	$ 12.3	$ 9.2	$ 6.8	$ 8.9	$ 12.0	$ 4.5	$ 13.8
Net earnings (loss)	3.3	2.6	0.5	(1.2)	(62.7)	1.7	(4.3)	3.0
EPS - basic	0.13	0.10	0.02	(0.05)	(2.56)	0.07	(0.17)	0.13
EPS - diluted	0.13	0.10	0.02	(0.05)	(2.56)	0.07	(0.17)	0.13
Net earnings (loss)	$ 3.3	$ 2.6	$ 0.5	$ (1.2)	$ (62.7)	$ 1.7	$ (4.3)	$ 3.0
EPS - basic	0.13	0.10	0.02	(0.05)	(2.56)	0.07	(0.17)	0.13
EPS - diluted	0.13	0.10	0.02	(0.05)	(2.56)	0.07	(0.17)	0.13

Note: *(1) Refer to Note 3 to the notes to the consolidated financial statements for retrospecitve adoption of IAS 19 (2011).*
(2) EBITDA is a non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of this item.

Revenue and net earnings in the second quarter of 2012 decreased compared to the first quarter of 2012 as wet weather impacted earthmoving productivity on the Calgary Airport project. Second quarter results were also negatively impacted by the significant margin reversal recorded by Stuart Olson Dominion on a large Manitoba-based project.

Revenue grew modestly during the third quarter of 2012 compared to the second quarter of 2012. Additionally, the absence of major project difficulties resulted in stronger earnings during the period.

Revenue in the fourth quarter of 2012 decreased compared to the third quarter of 2012 which is consistent with seasonal results. While lower contract revenue in the General Contracting segment, and lower contract income margins from the Commercial Systems segment were notable operational metrics, the most significant development during the quarter was a $64.6 million asset impairment charge resulting in a net loss for the period and the year.

Results in the first quarter of 2013 decreased compared to the fourth quarter of 2012 as all business segments experienced some form of lower revenues and/or lower contract margins from operations during the period.

All financial results in the second quarter of 2013 increased compared to the first quarter of 2013 as modestly better General Contracting segment results, consistent results from the Commercial Systems segment and strong operational results from the Industrial Services segment lifted revenues and earnings.

A positive contribution from the General Contracting segment, along with strong results from the Commercial Systems and Industrial Services segment resulted in all key financial metrics in the third quarter of 2013 increasing relative to the second quarter of 2013 results.

All financial results in the fourth quarter of 2013 increased compared to the third quarter of 2013 due to slightly increased revenues in all segments and increased contract income margins in the General Contracting and Commercial Systems segment.

The reader is referred to the Corporation's 2013 and 2012 Annual and Interim Reports for a more detailed discussion and analysis of quarterly results prior to December 31, 2013.

CRITICAL ACCOUNTING ESTIMATES

Churchill's financial statements include estimates and assumptions made by management in respect of operating results, financial condition, contingencies, commitments and related disclosures. Actual results may vary from these estimates. The following are, in the opinion of management, the more significant estimates that have an impact on Churchill's financial condition and results of operations:

- Revenue recognition and contract cost estimates;
- Goodwill, property and equipment and intangibles impairment assessment;
- Estimates related to the useful lives and residual value of property and equipment;
- Income tax provisions;
- Provisions for warranty work and legal contingencies;
- Assumptions used in share-based payment arrangements;
- Accounts receivable collectability; and
- Valuation of defined benefit pension plans.

Revenue Recognition and Contract Cost Estimates

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract at the end of the reporting period. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction. The stage of completion may also be assessed by reference to survey of work performed. Where there is uncertainty that the economic benefits associated with the contract will flow to the entity or where the contract costs cannot be identified and measured, revenue is recognized only to the extent of contract costs incurred where it is probable those costs will be recoverable.

During the very early stages of significant multi-year contracts, the outcome of the contract cannot be estimated reliably. In those circumstances contract revenue is recognized only to the extent contract costs are incurred and expected to be recoverable until such time that the outcome of the contract can be reliably estimated.

Contract costs include costs that relate directly to a specific contract, costs that are attributable to contract activity in general and can be allocated to individual contracts, and such other costs as are specifically chargeable to the customer under the terms of the contract. Contract costs exclude general administration costs (unless reimbursement is specified in the construction contract), selling costs, research and development costs (unless reimbursement is specified in the construction contract), and depreciation of idle equipment and equipment not used on a project. Contract costs are recognized as expenses in the period in which they are incurred.

Where current estimates indicate that total contract costs will exceed total contract revenue, the full amount of the expected loss is recognized immediately.

Revenue from services rendered where the final outcome of the contract can be estimated reliably is recognized in profit or loss in proportion to the stage of completion of the contract at the reporting date. The stage of completion is assessed by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract. Revenue from time and material contracts where the work scope is not definitive is recognized at the contractual rates as labour hours and direct expenses are incurred.

Impairment Assessment

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less any liabilities assumed, based on their fair values. Goodwill is not amortized and is tested annually in the fourth quarter or more frequently if events or changes in circumstances indicate that an asset may be impaired. Goodwill arose during multiple past acquisitions. Goodwill associated with the Stuart Olson Dominion and Canem CGUs arose from the Seacliff acquisition in 2010. Additional goodwill was attributed to the Canem CGU through the McCaine acquisition in 2011. CSG's goodwill stems from the acquisition of Laird in 2003. Goodwill recognized on all of these acquisitions was attributable mainly to the synergies achieved from the integration of the acquired company into existing construction, commercial and industrial services. Any significant reduction in these estimates could result in an impairment of goodwill. The calculated Business Enterprise Value for each of the CGUs incorporated the financial projections set out in the respective CGU's strategic plan reviewed by senior management and the Board of Directors in December 2013. As of December 31, 2013, Churchill's goodwill was not impaired.

If an impairment loss results from the comparison of the recoverable amount of the CGU to carrying amount, then the impairment loss is allocated first to goodwill and then to certain other assets of the CGU on a pro rata basis of the carrying amount of each asset in the unit.

The recoverable amount of the CGUs' assets was determined based on a value in use calculation. There is a significant amount of uncertainty with respect to the estimates of the recoverable amounts of the CGUs' assets given the necessity of making key economic assumptions about the future. The value in use calculation uses discounted cash flow projections which employ the following key assumptions: future cash flows, present and future discount rates, growth assumptions, including economic risk assumptions

and estimates of achieving key operating metrics and drivers. Management uses its best estimate to determine which key assumptions to use in the analysis.

Key Assumptions

The key assumptions in the value in use calculations to determine the recoverable amounts by CGU have been prepared using a five year discounted cash flow analysis with a terminal value. The financial projections used for the discounted cash flow analysis were derived from the Corporation's 2013 Strategic Plan which was reviewed by senior management and the Board of Directors in December 2013.

A five year period for the discounted cash flow analysis was used since financial projections beyond a five year time period are generally best represented by a terminal value. This period is appropriate given the timing of the backlog projects and the predictability of CGU cash flows. Cash flows from growth opportunities are probability-weighted and relate to initiatives management expects to progress on in the medium to long term. These cash flows require assumptions to be made regarding the likelihood of projects progressing and the future economics of those projects.

The terminal value was calculated using a discount rate of 12% (2012 – 12%) and a steady annual growth of 2.0% (2011 – 1.5%) in the terminal year. The same discount rate was used in each of the Corporation's CGUs given that each entity has access to the same source of debt and each CGU is ultimately governed by management at the parent Company. In addition, entity specific risks were separately factored into each CGU forecast. They take into consideration market rates of return, capital structure, company size, industry risk and after-tax cost of debt and equity.

Sensitivity of assumptions

Management and the Board of Directors believe that any reasonable change to the key assumptions would not cause the recoverable amounts of Stuart Olson Dominion, Canem or CSG to exceed their respective carrying amounts.

Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010 are also capitalized as part of property and equipment.

The Corporation recognizes major long-term component spare parts as property and equipment when the parts and equipment are significant and are expected to be used over a period of time greater than a year, or when the part can only be used in connection with an item of property and equipment.

Borrowing costs that are directly attributable to the acquisition and construction or production of a qualifying asset form part of the costs of the asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized within other income in profit or loss.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Corporation and its cost can be reliably measured. The carrying amount of the part replaced is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss when incurred.

Depreciation is calculated based on the cost of an asset (or deemed cost) less its residual value. Depreciation is recognized for each significant component of an item of property and equipment.

Depreciation is recognized in the statements of earnings (loss) on a straight-line basis over the estimated useful life of each asset. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives, unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term. The method of depreciation has been selected based on the expected pattern of consumption of the economic benefits of the asset.

The estimated useful lives are as follows:

Asset	Basis	Useful life
Land improvements	Straight line	30 years
Buildings and improvements	Straight line	10 to 25 years
Leasehold improvements	Straight line	Lesser of estimated useful life or lease term
Construction equipment	Straight line	10 to 20 years
Automotive equipment	Straight line	5 years
Office furniture and equipment	Straight line	3 to 5 years
Computer hardware	Straight line	1 to 3 years
Equipment components	Straight line	1.5 to 3 years

Depreciation commences when the asset is available for use and ceases on the earliest of when the asset is derecognized or classified as held for sale. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted where appropriate.

Income Tax Provisions

Income tax provisions, including deferred income tax assets and liabilities, may require estimates and interpretations of federal and provincial tax rules and regulations, and judgments as to their interpretation and application to Churchill's specific situation. Income tax provisions are estimated each quarter, updated each year-end to reflect actual differences and the impact of revenue recognition estimates, and then finalized during the preparation of the tax returns. Any changes between the

quarterly estimates, the year-end provision, and the final filing position, may impact the income tax expense category, as well as the deferred income tax asset and liability categories.

Warranty Work and Legal Contingencies

Provisions for the expected cost of construction warranty obligations under construction contracts are recognized upon completion or substantial performance under the construction contract and represent the best estimate of the expenditure required to settle the Corporation's obligation.

Provisions related to claims and disputes arising on contracts of the Corporation are included in this category. The timing and measurement of the related cash flows are by nature uncertain and the amounts recorded reflect the best estimate of the expenditure required to settle the obligations.

Share Based Payments

The grant date fair value of share-based payment awards, or stock options, granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

In April 2013, the Corporation issued three types of medium term share-based awards. These awards were issued substantially in accordance with the Amended 2008 Executive Share Unit Plan and are classified as Bridging Restricted Share Units (BRSU), Restricted Share Units (RSU) and Performance Share Units (PSU).

BRSUs are units that track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant vests 20% in the first, 30% in the second, and the remaining 50% in the third year.

RSUs are units that track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant cliff vests at the end of three years.

PSUs are units that track the value of a common share and provide eligible participants with an equivalent cash value of common shares. Each grant cliff vests at the end of three years, subject to certain performance criteria. The Corporation has set the PSU performance criteria as comparative Total Shareholder Return (TSR) relative to a competitive group. When each grant vests at three years, the payout can be 0% to 200% of the vested units, depending on the Corporation's relative positioning of TSR at December 31st, just prior to the end of the three year period. Each grant of PSUs is individually evaluated regularly with regard to vesting and payout assumptions.

The Corporation will settle the PSUs in cash within 90 days after actual results are determined and reported. The original cost of the PSU is equal to the fair market value at the date of grant. Changes in

the amount of the liability due to fair value changes after the initial grant date at each reporting period are recognized as a compensation expense of the period in which the changes occur.

The Corporation has a DSU plan under which plan participants may invest up to 100% of their annual remuneration (employees and non-employee Directors), retainer and meeting fees (non-employee Directors), or the Corporation's cash bonus plan (employees). As of January 1, 2013, employees were no longer able to contribute under the DSU plan. DSUs are phantom shares which provide the holder with the right to receive a cash payment equal to the five-day weighted average of the value of the common shares at the payout date. DSUs are cash settled only when an employee or Director ceases to be an employee or Director. The terms of the plan allow for discretionary grants by the Board of Directors. Discretionary grants vest immediately. As DSUs are awarded, a liability is established and compensation expense is recognized in earnings upon grant. Changes in the amount of the liability due to fair value changes after the initial grant date are recognized as a compensation expense in the period in which the changes occur. DSUs are also adjusted for corporate dividends as they are paid.

Information about the vesting conditions for share-based payments is disclosed in *Note 27* of the Consolidated Annual Financial Statements.

Accounts Receivable Collectability

Accounts receivable collectability requires an assessment and estimation of the creditworthiness of the client, the interpretation of specific contract terms, the strength of any security that Churchill may have, and the timing of collection. An allowance will be provided against any amount estimated to be uncollectible, and reflected as a bad debt expense. Further information can be found in the Financial Instruments section of this report.

Valuation of Defined Benefit Pension Plans

Fluctuations in the valuation of the Corporation's defined benefit pension plans expose the Corporation to additional risk. Economic factors such as expected long-term rate-of-return on plan assets, discount rates and future salary and bonus increases will cause volatility in the accrued benefit obligation. Refer to *Note 3(f) and 14* to the Audited Consolidated Annual Financial Statements for further information.

All estimates are updated each reporting period to reflect actual activity as well as incorporate all relevant information that has come to the attention of management. Given the nature of construction, with numerous contracts in progress at any given 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.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2013, the Corporation adopted IFRS 7 – Financial Instruments: Disclosures, IFRS 10 – Consolidated Financial Statements, IFRS 13 – Fair Value Measurements, IAS 28 (2011) – Investments in Associates and Joint Ventures, and IAS 32 – Financial Instruments: Presentation. The impact of the adoption of these standards was not material to the Corporation's Consolidated Annual Financial Statements.

Effective January 1, 2013, the Corporation adopted IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interest in Other Entities. The new disclosure requirements relating to IFRS 11 and 12 are provided in *Note 6 and Note 32*, respectively, of the 2013 Consolidated Annual Financial Statements.

Effective January 1, 2013, the Corporation applied the amendments to IAS 19 (2011) – Post-employment Benefits. The retrospective application resulted in a $0.6 million increase in the expense recognized in net earnings (loss), a corresponding decrease of $0.6 million to the actuarial gain recognized in other comprehensive earnings (loss), and a $0.01 increase in the basic and diluted loss per share for the year ended December 31, 2012. The amendments did not affect the consolidated statement of financial position and the amount of net cash generated by operating activities in the statement of cash flow for the year ended December 31, 2012.

Future Changes in Accounting Standards

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. See *Note 4* to the Audited Consolidated Annual Financial Statements at December 31, 2013 for further information. The Corporation does not expect the impact of future changes in accounting standards to be material to its Consolidated Annual Financial Statements.

FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of receivables and other like amounts that will result in future cash receipts, as well as accounts payable, short-term borrowings and any other amounts that will result in future cash outlays. The fair value of Churchill's short-term financial assets and liabilities approximates their respective carrying amounts on the statement of financial position because of the short-term maturity of those instruments. The fair value of the Corporation's interest-bearing financial liabilities, including capital leases, financed contracts and the Revolver, also approximates their respective carrying amounts due to the floating-rate nature of the debt.

The financial instruments used by the Corporation expose Churchill to credit, interest rate and liquidity risks. The Corporation's Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework and reviews corporate policies on an ongoing basis. We do not actively use financial derivatives, nor do we hold or use any derivative instruments for trading or speculative purposes.

The Corporation is exposed to credit risk through accounts receivable. This risk is minimized by the number of customers in diverse industries and geographical centres. The Corporation further mitigates this risk by performing an assessment of its customers as part of its work procurement process, including an evaluation of financial capacity.

Allowances are provided for potential project losses as at the statement of financial position date. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Corporation takes into consideration the customer's payment history, creditworthiness and the current economic environment in which the customer operates to assess impairment.

The Corporation accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual account receivable. The provision for doubtful accounts has been included in administrative expenses in the Consolidated Statements of Earnings and Comprehensive Earnings, and is net of any recoveries that were provided for in a prior period. Allowance for doubtful accounts as at December 31, 2013 was $2.7 million (December 31, 2012 – $1.6 million).

In determining the quality of trade receivables, the Corporation considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The Corporation had $20.6 million of trade receivables (December 31, 2012 – $29.8 million) which were greater than 90 days past due with $17.9 million not provided for as at December 31, 2013 (December 31, 2012 – $28.2 million). Of the total, $12.9 million (63%) was concentrated in three customer accounts, and of this amount, $12.5 million remained outstanding as of March 16, 2014. The three customers are considered to be credit-worthy and there are presently no concerns regarding collectability of these accounts. Trade receivables are included in trade and other receivables on the statements of financial position.

Financial risk is the risk to the Corporation's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to this risk. At December 31, 2013, the increase or decrease in annual net earnings for each 100 basis point change in interest rates on floating rate debt would have been approximately $0.3 million (December 31, 2012 - $0.3 million) related to financial assets and by $0.4 million (December 31, 2012 - $0.4 million) related to financial liabilities.

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial obligations. The Corporation manages this risk through cash and debt management. The Corporation invests its cash with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. The Corporation invests its cash and cash equivalents with counterparties that are of high credit quality as assessed by reputable rating agencies. Given these high credit ratings, the Corporation does not expect any counterparties to fail to meet their obligations. In managing liquidity risk, the Corporation has access to committed short and long-term debt facilities as well as equity markets, the availability of which is dependent on market conditions.

Under the Corporation's risk management policy, derivative financial instruments are used only for risk management purposes and not for generating trading profits.

Refer to *Note 30* to the 2013 Consolidated Annual Financial Statements for further detail.

Disclosure Controls & Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO, on a timely basis, so that appropriate decisions can be made regarding public disclosure. The CEO and CFO together are responsible for establishing and maintaining the Corporation's disclosure controls and procedures. They are assisted in this responsibility by the Disclosure Committee which is composed of members of senior management of the Corporation.

An evaluation of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures was carried out under the supervision of Churchill management, including the CEO and CFO, with oversight by the Board of Directors and its Audit Committee, as of December 31, 2013. Based on this evaluation, the CEO and CFO have concluded that the design and operation of the Corporation's disclosure controls and procedures as defined in NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings were effective as at December 31, 2013.

Internal Controls over Financial Reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of inherent limitations in all control systems, absolute assurance cannot be provided that all misstatements have been detected. Management is responsible for establishing and maintaining adequate internal controls appropriate to the nature and size of the business, to provide reasonable assurance regarding the reliability of financial reporting for the Corporation.

Under the oversight of the Board of Directors and its Audit Committee, Churchill management, including the Corporation's CEO and CFO, evaluated the design and operation of the Corporation's internal controls over financial reporting using the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control – Integrated Framework. The evaluation included documentation review, enquiries, testing and other procedures considered by management to be appropriate in the circumstances. As at December 31, 2013, the CEO and CFO have concluded that the design and operation of the internal controls over financial reporting as defined in NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings was effective.

Material Changes to Internal Controls over Financial Reporting

There were no changes to the Corporation's internal controls over financial reporting and the environment in which they operated during the period beginning on January 1, 2013 and ending on December 31, 2013, that have materially affected or are reasonably likely to materially affect the Corporation's internal controls over financial reporting.

NON-IFRS MEASURES

Throughout this MD&A certain measures are used that, while common in the construction industry, are not recognized measures under IFRS. The measures used are “contract income margin percentage”, “work-in-hand”, “backlog”, “working capital”, “EBITDA”, “EBITDA margin”, and “EBT”. These measures are used by management of the Corporation to assist in making operating decisions and assessing performance. They are presented in this MD&A to assist readers to assess the performance of the Corporation and its operating companies. While Churchill calculates these measures consistently from period to period, they likely will not be directly comparable to similar measures used by other companies because they do not have standardized meanings prescribed by IFRS. Please review the discussion of these measures below.

Contract Income Margin

Contract income margin 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

Work-in-hand is the unexecuted portion of work that has been contractually awarded for construction to the Corporation. It includes an estimate of the revenue to be generated from maintenance contracts during the shorter of (a) 12 months, or (b) the remaining life of the contract.

Backlog

Backlog means the total value of work, including work-in-hand, that has not yet been completed that (a) is assessed by the Corporation as having high certainty of being performed by the Corporation or its subsidiaries by either the existence of a contract or work order specifying job scope, value and timing, or (b) has been awarded to the Corporation or its subsidiaries, as evidenced by an executed binding or non-binding letter of intent or agreement, describing the general job scope, value and timing of such work, and with the finalization of a formal contract respecting such work currently assessed by the Corporation as being reasonably assured. Active backlog is the portion of backlog that is not work-in-hand (has not been contractually awarded to the Corporation). The Corporation provides no assurance that clients will not choose to defer or cancel their projects in the future.

As at:	**December 31, 2013**			**December 31, 2012**		
($millions)	Work-in-hand	Active backlog	Total backlog	Work-in-hand	Active backlog	Total backlog
	$ 1,159.8	$ 956.4	$ 2,116.2	$ 964.5	$ 726.0	$ 1,690.5

Working Capital

Working capital is current assets less current liabilities. The calculation of working capital is provided in the table below:

As at: ($millions)	December 31, 2013	December 31, 2012
Current assets	$ 367.3	$ 407.5
Current liabilities	282.4	328.3
Working capital	$ 84.9	$ 79.2

EBITDA and EBT

EBITDA (earnings before interest, taxes, depreciation and amortization) is a common financial measure widely used by investors to facilitate an "enterprise level" valuation of an entity. The Corporation follows the standardized definition of EBITDA, as per the CICA Handbook. Standardized EBITDA represents an indication of the Corporation's capacity to generate income from operations before taking into account management's financing decisions and costs of consuming tangible and intangible capital assets, which vary according to their vintage, technological currency, and management's estimate of their useful life. Accordingly, standardized EBITDA comprises revenues less operating cost before interest expense, capital asset amortization and impairment charges, and income taxes. This measure as reported by the Corporation may not be comparable to similar measures presented by other reporting issuers. EBT is earnings before taxes. The following is a reconciliation of net earnings to EBITDA and EBT for each of the periods presented in this MD&A in accordance with IFRS.

	Three months ended December 31		Year ended December 31	
($millions)	2013	2012[1]	2013	2012[1]
Net earnings from continuing operations	$ 3.3	$ (62.7)	5.1	$ (62.3)
Add:				
Income tax expense	0.6	(2.5)	1.9	(2.1)
EBT from continuing operations	$ 3.9	$ (65.2)	$ 7.0	$ (64.4)
Add:				
Depreciation and amortization (indirect cost)	2.7	2.5	10.3	9.7
Depreciation and amortization (general and administrative)	3.3	4.2	12.2	17.5
Impairment loss	-	64.6	-	64.6
Finance costs	2.9	2.8	11.6	11.6
EBITDA from continuing operations	$ 12.8	$ 8.9	$ 41.1	$ 39.0

Note: *(1) Refer to Note 3 to the notes to the consolidated financial statements for retrospecitve adoption of IAS 19 (2011)*

EBITDA Margin

EBITDA margin is the percentage derived from dividing EBITDA by contract revenue.

FORWARD-LOOKING INFORMATION

Certain information contained in this MD&A may constitute forward-looking information. This information relates to future events or the Corporation's future performance. All statements, other than statements of historical fact, may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Corporation believes that the expectations reflected in this forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this MD&A should not be unduly relied upon by investors as actual results may vary. This information speaks only as of the date of this MD&A and is expressly qualified, in its entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking information, pertaining to the following:

- Management's views as to the factors on which Churchill's performance depends as referenced in the statements under the heading entitled "Key Performance Drivers and Capabilities";
- The Board's confidence in the Corporation's ability to generate sufficient operating cash flows to support management's business plans while providing a certain amount of income to shareholders and its intention to continue to pay a quarterly dividend;
- Management's 2014 capital expenditure and EBITDA projections including, without limitation, the expectation of continued modest improvement in Churchill's financial results in 2014; and specifically the segment discussion on revenue and EBITDA margins under the heading "Outlook";
- The expectation that any of the Corporation's operating companies will improve or maintain their business prospects or continue to grow their revenue, earnings and backlog in any manner whatsoever including, without limitation, through margin expansion, organic growth, new project awards or productivity efficiencies;
- Expectations regarding the ability of any of the Corporation's operating companies to add to or execute upon work-in-hand or active backlog;
- Management's belief that the Corporation either has or has access to sufficient capital resources and liquidity to meet its commitments, support its operations, finance capital expenditures, support growth strategies and fund dividends;
- Expectations as to future general economic conditions and the impact those conditions may have on the Corporation and its businesses including, without limitation, the discussion under the heading entitled "Outlook" pertaining to competition, government and institutional spending in Western Canada, margin expansion in certain of the Corporation's operating companies, and the ability of the Corporation to compete for projects;
- The Corporation's projected use of cash resources; and
- The ability of the Corporation's operating companies to execute upon their strategic and annual operating plans to expand geographically, target larger projects, hire talented employees, capture or maintain market share and increase operational scope and customer bases.

With respect to forward-looking information listed above and contained in this MD&A, the Corporation has made assumptions regarding, among other things:

- The expected performance of the global and Canadian economies and the effects thereof on the Corporation's businesses;
- The ability of the Corporation to attract future debt and/or equity investors;
- The impact on the Corporation of competition;
- The global demand for oil and natural gas, its impact on commodity prices and its related effect on capital investment projects in Western Canada; and
- Government policies.

The Corporation's actual results could differ materially from those anticipated in this forward-looking information as a result of the risk factors set forth below:

- General global economic and business conditions including the effect, if any, of a slowdown in western Canada and/or a further slowdown in the U.S.;
- Weak capital and/or credit markets;
- Fluctuations in currency and interest rates;
- Changes in laws and regulations;
- Limited geographical scope of operations;
- Timing of client's capital or maintenance projects;
- Dependence on the public sector;
- Competition and pricing pressures;
- Unexpected adjustments and cancellations of projects;
- Action or non-action of customers, suppliers and/or partners;
- Inadequate project execution;
- Unpredictable weather conditions;
- Erroneous or incorrect cost estimates;
- Adverse outcomes from current or pending litigation;
- Interruption of information technology systems; and
- Those other risk factors described in the Corporation's most recent Annual Information Form.

The forward-looking statements contained in this MD&A are made as of the date hereof and the Corporation undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.

Additional Information

Additional information regarding Churchill, including the Corporation's current Annual Information Form and other required securities filings, is available on Churchill's website at www.churchillcorporation.com and under Churchill's SEDAR profile at www.sedar.com.