INTERIM REPORT – FIRST QUARTER 2014

For the three months ended March 31, 2014

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", the "Corporation", "we", "us", or "our") for the three months ended March 31, 2014, dated May 6, 2014, should be read in conjunction with the March 31, 2014 Condensed Consolidated Interim 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 2013 and 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

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

First Quarter 2014 Overview

- First quarter ("Q1") 2014 EBITDA increased 17.6% to $8.0 million, from $6.8 million in Q1 2013. EBITDA results were in line with our expectations and reflect increased revenue in all segments, combined with consistent year-over-year EBITDA margin for the organization as a whole.
- We reduced the first quarter net loss to $0.6 million (fully diluted loss per share of $0.02), from a net loss of $1.2 million (fully diluted loss per share of $0.05) in Q1 2013. The $0.6 million improvement was driven by stronger results from the general contracting and commercial systems segments.
- Backlog increased to $2.2 billion, a new record for Churchill.
- As at March 31 2014, we were in full compliance with our long-term debt covenants, had available cash of $30.3 million and additional borrowing capacity of just under $50 million.

Declaration of Common Share Dividend

On May 6, 2014, our 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 July 15, 2014 to shareholders of record on June 30, 2014. The declaration of this dividend reflects the Board of Directors' confidence in our ability to generate ongoing cash flows adequate to support our growth strategy, while providing a certain amount of income to our 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 our common shares.

We also maintain a dividend reinvestment plan ("DRIP"), details of which are available on our website (www.churchillcorporation.com).

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

Outlook

With a record backlog of $2.2 billion and a favourable project mix predominantly comprised of lower-risk construction management contracts, we have excellent revenue visibility going forward. We expect this backlog to be executed from 2014 to 2017. Overall, 2014 revenue is tracking consistently with our expectations and we continue to forecast an increase over 2013. In addition, we anticipate that the 2014 EBITDA margin for the Corporation as a whole will be consistent with 2013.

We continue to assess our assets in terms of our business strategy and have an active corporate development function looking at tuck-in acquisitions that further our goal of becoming an integrated full-service construction contractor in the commercial, institutional, and industrial construction spaces. As part of our integrated construction company strategy we also plan on transitioning to a common brand in the coming months.

We are currently developing a strategy to provide capital for repayment of our $86.3 million convertible debenture due in June 2015, and to fund tuck-in acquisitions. We expect to implement this strategy prior to the end of 2014.

CORE BUSINESS AND STRATEGY

We provide construction and maintenance services to the institutional, commercial and industrial markets. Our strategy focuses on growing revenue and earnings through organic growth, expanded geographical presence and strategic acquisitions. In particular, we are focused on accelerating growth in our higher-margin Industrial Services segment and leveraging existing client relationships through the integration of services within our industrial operating companies.

Strategy

- Operate as an integrated 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 organic and corporate development growth objectives.

Business Segments

We report our results under four business segments: General Contracting, Commercial Systems, Industrial Services, and Corporate and Other. We regularly analyze 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’s performance is assessed. In order to more clearly present our operating results, the discussion of business results within this MD&A is focused mainly at the business segment level.

Stuart Olson Construction Ltd. (“Stuart Olson Dominion”) forms the General Contracting segment. Canem Holdings Ltd. (“Canem”) forms the Commercial Systems segment.

Churchill Services Group Inc. ("CSG") comprises the bulk of 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") makes up the balance of the Industrial Services segment.

The Corporate and Other segment includes our corporate centre which, in addition to managing our public company requirements, provides strategic direction, operating oversight, legal services, financing and infrastructure services to each of our business segments. The costs of some functions, such as information technology services, are allocated proportionately to our business segments while other costs remain within Corporate and Other.

Additionally, we report certain assets held-for-sale. At March 31, 2014, assets held-for-sale consisted of agricultural land located near Lamont, Alberta.

Key Performance Drivers and Capabilities

Our performance depends upon many factors, including 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 maintain adequate liquidity to fund working capital and pursue growth initiatives.

Safety

We believe a focused safety culture and strong safety program are fundamental to our success. Not only is our safety track record a critical element in pre-qualifying for projects, but it also supports our ability to recruit the best employees across the organization. To reinforce our safety culture, our executive leadership team participates directly in our Health, Safety and Environment ("HS&E") Council and the HS&E Committee of our Board of Directors.

People

To attract and retain qualified staff we offer market-competitive compensation and benefits, including employee referral bonuses, year-end bonuses based on profitability, an employee share purchase plan, and matching contributions into a Registered Retirement Savings Plan 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 also 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 central to our ability to retain existing 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 the 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 with sufficient capitalization enables us to support existing operations and plan for 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 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

	Three months ended March 31	
($millions, except per share amounts)	**2014**	**2013**
Contract revenue	$ 274.6	$ 236.8
Contract income	25.3	22.0
EBITDA (1)	8.0	6.8
Net loss	(0.6)	(1.2)
Net loss per common share		
- Basic	(0.02)	(0.05)
- Diluted	(0.02)	(0.05)
Dividend per share	0.12	0.12
	March 31, 2014	**December 31, 2013**
Backlog(1)	$ 2,210.0	$ 2,116.2
Working capital(1)	111.6	84.9
Long-term debt (excluding current portion)	71.4	50.3
Convertible debentures (excluding equity portion)	82.6	81.9
Total assets	719.6	694.7

Note: (1) *EBITDA, working capital and backlog are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these items.*

For the three months ended March 31 2014, consolidated contract revenue increased by 16.0% to $274.6 million, from $236.8 million in Q1 2013. Revenue from the General Contracting segment increased by $17.2 million or 14.7%, Commercial Systems' revenue increased by $12.5 million or 26.3% and Industrial Services revenue increased by $11.0 million or 13.8%. Intersegment revenue for the period was $10.2 million, an increase of $2.9 million or 39.7% compared to Q1 2013, reflecting increased intercompany activity among our business segments.

Contract income increased 15.0% to $25.3 million (9.2% of revenue), from $22.0 million (9.3% of revenue) in the first quarter of 2013. This $3.3 million increase reflects a $3.2 million or 53.3% increase in the General Contracting segment and a $0.8 million or 11.0% increase in the Commercial Systems segment, partially offset by a $0.7 million or 100.0% increase in intersegment eliminations.

First quarter administrative expenses amounted to $23.2 million (8.4% of revenue) compared to $20.8 million (8.8% of revenue) in the first quarter of 2013. Administrative expenses increased by $1.1 million or 24.4% in the Industrial segment, $0.1 million or 2.7% in the Commercial Systems segment and by $1.3 million or 27.1% in the Corporate and Other segment. These increases were partially offset by a decrease of $0.1 million or 1.3% in the General Contracting segment.

First quarter EBITDA increased to $8.0 million, from $6.8 million in Q1 2013. This $1.2 million or 17.6% increase reflects higher revenue and contract income, partially offset by increased administrative expense. Consolidated net loss for the first quarter of 2014 was $0.6 million compared to a net loss of $1.2 million in the same period in 2013. The $0.6 million year-over-year improvement reflects a $0.7 million increase in earnings before tax ("EBT") partially offset by a $0.1 million increase in income tax expense.

Backlog of $2, 210.0 at March 31, 2014 reflects a $93.8 million or 4.4% increase from the $2,116.2 million of backlog at December 31, 2013. Backlog consists of work-in-hand of $1,074.0 million (December 31, 2013 – $1,159.8 million) and active backlog of $1,136.0 million (December 31, 2013 – $956.4 million). Approximately 65.7% of the backlog consists of construction management (CM) contracts, 17.3% cost-plus arrangements (combined total of 83.0% CM and cost-plus) and 17.0% tendered (hard-bid) work. New contract awards and net increases in contract value of $199.0 million were added to work-in-hand in the quarter ended March 31, 2014 (first quarter of 2013 – $229.7 million).

Results of Operations by Segment

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

($millions, except margin percent)	Three months ended March 31, 2014					
	Total	General Contracting	Commercial Systems	Industrial Services	Corporate and Other	Intersegment Eliminations
Contract revenue	$ 274.6	$ 134.1	$ 60.1	$ 90.6	$ -	$ (10.2)
Contract income	25.3	9.2	8.1	8.7	-	(0.7)
Contract income margin	9.2%	6.8%	13.5%	9.6%	-	-
Administrative costs	23.2	7.8	3.6	5.6	6.1	0.1
EBITDA(1)	8.0	2.8	4.9	5.5	(4.4)	(0.7)
EBITDA margin(1)	2.9%	2.1%	8.1%	6.0%	-	-
EBT(1)	(0.7)	1.5	4.5	3.0	(9.0)	(0.8)
Backlog(1)	$ 2,210.0	$ 1,649.8	$ 241.5	$ 318.7	$ -	$ -
	Three months ended March 31, 2013					
	Total	General Contracting	Commercial Systems	Industrial Services	Corporate and Other	Intersegment Eliminations
Contract revenue	$ 236.8	$ 116.9	$ 47.6	$ 79.6	$ -	$ (7.3)
Contract income	22.0	6.0	7.3	8.7	-	-
Contract income margin	9.3%	5.2%	15.3%	10.9%	-	-
Administrative costs	20.8	7.7	3.7	4.5	4.8	0.1
EBITDA(1)	6.8	(0.5)	3.9	6.2	(2.8)	-
EBITDA margin(1)	2.9%	-0.4%	8.2%	7.8%	-	-
EBT(1)	(1.5)	(1.6)	3.5	4.1	(7.5)	-
Backlog(1)(2)	$ 2,116.2	$ 1,615.1	$ 164.7	$ 336.4	$ -	$ -

Notes: *(1) EBITDA, EBITDA margin, EBT and backlog are non-IFRS measures. Refer to "Non-IFRS Measures" for definitions of these items.*
(2) As of December 31, 2013.

General Contracting

For the three months ended March 31, 2014, Stuart Olson Dominion's revenue increased 14.7% to $134.1 million, from $116.9 million in Q1 2013. The $17.2 million increase was primarily attributable to a strong backlog of work, increased commercial and institutional activity in Alberta and British Columbia and continued growth in the segment's industrial buildings division.

Contract income increased 53.3% to $9.2 million in the first quarter of 2014, from $6.0 million during the same period in 2013. The $3.2 million increase reflects higher year-over-year revenue, stronger embedded margins in the backlog and a decline in indirect expenses associated with cost reduction efforts and increased equipment rental recoveries. Margin on this contract income increased to 6.8% from 5.2% in the first quarter of 2013.

Stuart Olson Dominion increased first quarter 2014 EBITDA to $2.8 million (2.1% EBITDA margin), from an EBITDA loss of $0.5 million (-0.4% EBITDA margin) in Q1 2013. This $3.3 million improvement reflects the increase in contract income.

As at March 31, 2014, Stuart Olson Dominion's backlog reflected a $34.7 million or 2.1% increase to $1,649.8 million, from $1,615.1 million at December 31, 2013. As at March 31, 2014 approximately 82.6% of Stuart Olson Dominion's backlog was composed of CM assignments, 11.1% was cost-plus projects (combined total of 93.7% CM and cost-plus) and 6.3% were tendered projects. The March 31, 2014 backlog consisted of $673.7 million of work-in-hand and $976.1 million of active backlog, compared to $738.4 million of work-in hand and $876.7 million of active backlog as at December 31, 2013. With respect to work-in-hand, the segment secured $69.4 million of new awards and project scope increases during the quarter, and executed $134.1 million of contract revenue.

Commercial Systems

For the three months ended March 31, 2014, Canem increased revenue by 26.3% to $60.1 million, from $47.6 million in Q1 2013. This $12.5 million improvement reflects the ramp up of a number of significant projects in British Columbia and, to a lesser extent, increased revenue from flood recovery work in Southern Alberta.

First quarter contract income increased by $0.8 million or 11.0%, to $8.1 million from $7.3 million during the same period in 2013. Contract income margin was 13.5% compared to 15.2% in Q1 2013, reflecting increased labor costs on specific projects resulting from project work flow issues.

EBITDA from Canem increased 25.6% to $4.9 million (8.1% EBITDA margin) in the first quarter of 2014, from $3.9 million (8.2% EBITDA margin) in the first quarter of 2013. The $1.0 million improvement primarily reflects the increase in contract income.

Canem's backlog increased to $241.5 million as at March 31, 2014, from a backlog of $164.7 million at December 31, 2013, a $76.8 million or 46.6% increase. As at March 31, 2014, Canem's backlog was composed of approximately 39.1% CM and cost-plus projects, and 60.9% tendered projects. The March 31, 2014 backlog consisted of $123.0 million of work-in-hand and $118.5 million of active backlog compared to $139.7 million of work-in-hand and $25.0 million of active backlog at December 31, 2013. With respect to work-in-hand, the segment secured $43.4 million of new awards and increases in contract value during the period and executed $60.1 million of construction activity.

Industrial Services

Revenue generated by the Industrial Services segment increased 13.8% to $90.6 million in the first quarter of 2014, from $79.6 million during the same period last year. The $11.0 million revenue improvement reflects increased activity levels in Alberta's oil sands and Northern Ontario.

The segment generated first quarter 2014 contract income of $8.7 million, on par with the $8.7 million achieved during the same period last year. First quarter contract income margins were 9.6%, compared to 10.9% in the first quarter of 2013, primarily reflecting higher year-over-year equipment repair costs. In addition, a claim settlement that benefitted Q1 2013 results was not repeated in Q1 2014.

EBITDA from the Industrial Services segment decreased by $0.7 million or 11.3% to $5.5 million (6.0% EBITDA margin) in Q1 2014, from $6.2 million (7.8% EBITDA margin) in the first quarter of 2013. The year-over-year reduction reflects higher administrative expenses in the current period.

Industrial Services recorded a backlog of $318.7 million as at March 31, 2014, compared to backlog of $336.4 million at December 31, 2013, a $17.7 million or 5.3% decrease. As at March 31, 2014, 60.6% of Industrial Services' backlog consisted of cost-plus projects and the remaining 39.4% were tendered projects. The March 31, 2014 backlog consisted of $277.3 million of work-in-hand and $41.4 million of active backlog, compared to $281.7 million of work-in-hand and $54.7 million of active backlog at December 31, 2013. With respect to work-in-hand, the Industrial Services segment contracted $86.2 million of new awards and scope increases during the quarter and executed $90.6 million of construction activity.

Corporate and Other

The Corporate and Other segment's administrative expenses were $6.1 million in the first quarter of 2014, compared to $4.8 million in the first quarter of 2013. The $1.3 million or 27.1% increase is due to a $1.5 million increase in administrative costs, offset by a $0.2 million reduction in depreciation and amortization. The administrative cost increase is primarily related to the appreciation in Churchill's stock price and the corresponding impact of mark-to-market pricing on stock-based compensation expense during the first quarter of 2014 and one time onerous lease costs associated with moving to smaller facilities.

For the three months ended March 31, 2014, depreciation and amortization expense was $1.7 million, compared to $1.9 million in Q1 2013, a $0.2 million or 10.5% decrease. These amounts reflect the amortization of the intangible assets acquired in conjunction with the acquisition of Dominion and Canem, and the amortization of our enterprise resource planning ("ERP") system. The majority of the $0.2 million decrease resulted from having fully amortized Canem's backlog and agency intangibles in 2013.

The Corporate and Other segment's finance costs were $2.8 million in the first quarter of 2014 compared to $2.7 million during the same period last year, a $0.1 million or 3.7% increase. The increase in finance costs reflects increased accretion recognized on the convertible debentures.

The Corporate and Other segment incurred a first quarter 2014 loss before tax of $9.0 million, compared to a loss before tax of $7.5 million in the comparable period in 2013, primarily as a result of the increase in administrative expenses.

LIQUIDITY

Cash and Debt Balances

Cash and cash equivalents at March 31, 2014 were $30.3 million, compared to $36.2 million at December 31, 2013. This $5.9 million decline reflects the investment in non-cash working capital associated with increased activity at the end of Q1 2014 as compared to the end of 2013.

Long-term indebtedness, excluding the $2.3 million current portion of long-term debt, amounted to $154.0 million at March 31, 2014. This compares to $132.2 million at December 31, 2013, a net increase of $21.8 million. Long-term indebtedness consisted of $82.6 million (December 31, 2013 - $81.9 million) of the debt portion of Churchill's outstanding convertible debentures and $71.4 million (December 31, 2013 - $50.3 million) drawn on our $200 million, four-year senior revolving credit facility (the "RCF").

As at March 31, 2014, we were in full compliance with our covenants and had additional borrowing capacity of $49.8 million available under the RCF.

Ratio	Covenant	Actual as at March 31, 2014
Working Capital	>1.10:1.00	1.39:1:00
Interest Coverage	>3.00:1.00	4.17:1:00
Total Debt / EBITDA	<3.00:1.00	1.55:1:00
Senior Debt / EBITDA	<2.50:1.00	1.48:1:00

The outstanding balance under 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 March 31	
($millions)	**2014**	**2013**
Operating activities	$ (24.1)	$ 10.9
Investing activities	(1.1)	(3.1)
Financing activities	19.3	7.8
Increase (decrease) in cash	$ (5.9)	$ 15.6
Cash and cash equivalents, beginning of period	36.2	33.8
Cash and cash equivalents, end of period	$ 30.3	$ 49.4

For the three months ended March 31, 2014, cash flow used in operating activities was $24.1 million as compared to cash generated of $10.9 million in the same period of 2013; a year-over-year net change of $35 million. The primary driver of this $35 million variation in cash flows from operating activities was a $32.7 million net change in non-cash working capital balances; $29.0 million cash outflow for the three months ended March 31, 2014 compared to a $3.7 million cash inflow for the same period of 2013. This $29.0 million cash outflow was due to the investment in working capital to support increased revenue volume for all three segments during Q1 2014 as compared to the lower volume levels in Q1 2013.

Cash flow used in investing activities was $1.1 million for the three months ended March 31, 2014, as compared to $3.1 million in the same period in 2013. Cash additions to property, equipment and intangibles were $1.9 million lower during the first quarter of 2014 than in the comparable period of 2013.

Cash generated by financing activities totalled $19.3 million in Q1 2014, as compared to $7.8 million for the same period in 2013, primarily due to increased draws under the RCF to support higher activity levels.

CAPITAL RESOURCES

Our objectives in managing capital are to ensure that we have sufficient liquidity to pursue growth objectives and maintain the payment of dividends, while maintaining a prudent amount of financial leverage.

Capital is composed of equity and long-term indebtedness. Our primary uses of capital are to finance operations, growth strategies and capital expenditure programs.

In the first quarter of 2014, capital and intangible expenditures totalled $1.3 million compared to $3.4 million in the quarter ended March 31, 2013. Capital and intangible expenditures during the first quarter of 2014 consisted of $0.7 million for construction and automotive equipment, $0.4 million for computer hardware and software, and $0.2 million for tenant improvements.

Capital expenditures are associated with the Corporation’s need to maintain and support its existing operations. Our capital spending program for 2014 is projected to be $15.0 million.

Working Capital

As at March 31, 2014, we had working capital of $111.6 million, compared to $84.9 million at December 31, 2013. Working capital increased primarily due to the timing of activity in the quarter, with activity in March being the highest in Q1 2014, as compared to December having the lowest level of activity in Q4 2013.

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

Refer to *Note 14* to the Condensed Consolidated Interim Financial Statements for additional information regarding our management of capital.

Contractual Obligations

The following are the contractual obligations as at March 31, 2014 with respect to our financial obligations. 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 13(b)(iii)* to the Condensed Consolidated Interim 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	$ 195,043	195,043	$ 195,043	$ -	$ -	$ -
Provisions including current portion	10,217	10,217	4,122	2,067	-	4,028
Convertible debentures (debt portion)	82,560	94,013	5,175	88,838	-	-
Long-term debt including current portion	73,718	73,718	2,301	470	70,947	-
Lease commitments	64,152	64,152	7,619	12,152	12,151	32,230
	$ 425,690	$ 437,143	$ 214,260	$ 103,527	$ 83,098	$ 36,258

Scheduled debt principal repayments within one year at March 31, 2014 were $2.3 million, compared to $2.6 million at December 31, 2013.

Share Data

We encourage employees to invest in our shares by offering an Employee Share Purchase Plan (“ESPP”) available to all full-time employees. At March 31, 2014, the ESPP held 1,653,289 common shares for employees (December 31, 2013 – 1,630,047 common shares). Under the ESPP, common shares are acquired in the open market.

On January 14, 2014 we issued 49,200 common shares pursuant to our DRIP.

As at March 31, 2014, we had 24,886,925 common shares issued and outstanding and 1,656,544 options convertible into common shares upon exercise (December 31, 2013 – 24,797,163 common shares and 1,838,117 options). Refer to *Note 10* and *Note 11* of the Condensed Consolidated Interim Financial Statements for further detail.

As well, we have 6.0% convertible debentures outstanding in the principal amount of $86.3 million, convertible into 4,368,142 common shares.

Shareholders’ equity was $233.5 at March 31, 2014 compared to $237.0 million at December 31, 2013. This $3.5 million reduction resulted from the quarterly net loss of $0.6 million, a $0.9 million defined benefit plan actuarial loss net of tax, dividends declared of $3.0 million and share capital increases of $0.4 million and $0.6 million related to DRIP shares and shares issued pursuant to the exercise of options, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements in place at March 31, 2014.

RELATED PARTY TRANSACTIONS

During the period ended March 31, 2014, we incurred facility costs of $0.1 million (March 31, 2013 – $0.1 million) for the rental of a building that is 50.0% 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.

During 2013, we incurred facility costs of $0.1 million (March 31, 2013 – 0.1 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

For the balance of 2014, our outlook for our three operating business segments is as follows:

- Stuart Olson Dominion anticipates continued strong revenue growth combined with modestly improving margins in the latter half of the year. Additional detail is included in the General Contracting section below.
- Commercial Systems anticipates modest revenue growth in 2014 over 2013, along with slightly lower EBITDA margins. Additional detail is included in the Commercial Systems section below.
- The Industrial Services segment is expected to achieve modest revenue growth at comparable to or slightly lower EBITDA margins compared to 2013. Additional detail is included in the Industrial Services section below.

General Contracting

While spending by provincial governments in Western Canada is expected to moderately decline during the next three years, the outlook for municipal, private sector commercial and industrial spending remains reasonably strong. New municipal projects continue to be advanced in Alberta and B.C., significant commercial opportunities exist in all of our markets in Western Canada and a number of major industrial building projects are in the front-end engineering and design phase.

Our marketing and business development efforts continue to identify additional opportunities which could further increase the General Contracting segment's record $1.6 billion backlog. This backlog provides significant visibility to future revenue and, with solid execution, should continue to support improved profitability within this segment. We expect General Contracting's 2014 quarterly revenue to significantly exceed comparative quarterly amounts for 2013. EBITDA margin for this segment is expected to modestly improve in the second half of 2014 as a number of projects transition from tendering into construction phases, and other projects move towards completion with risk contingencies being converted into additional margin.

Stuart Olson Dominion expects to execute approximately $450 million of its March 31, 2014 backlog during the remainder of 2014. New project awards in 2014 are expected to supplement General Contracting segment revenues for the year.

Commercial Systems

Canem anticipates that 2014 revenue will be moderately higher as compared to 2013; however, this additional revenue will be offset by lower EBITDA margins resulting from project mix and timing. Canem is working to increase its margin by improving operational efficiencies. It is also differentiating itself from the competition by providing building systems integration solutions to support its more traditional operations.

Canem expects to execute $118 million of its March 31, 2014 backlog during the remainder of 2014. New awards, short-duration projects, building maintenance and tenant improvement work are expected to supplement the backlog revenue executed by Canem during the year.

Industrial Services

The outlook for the Industrial Services segment remains positive. Activity in Alberta's oil sands and Saskatchewan and Ontario's mining districts continue to provide numerous industrial construction and maintenance opportunities and should continue to support the segment's backlog through 2014. Segment backlog continues to reflect a high proportion of low-risk, cost-plus maintenance work. Our Industrial Services companies also continue to monitor the status of liquefied natural gas activity in British Columbia, which could provide meaningful new work in the medium to long term if project proposals proceed.

The Industrial Services segment is expected to execute $226 million of its contracted March 31, 2014 backlog during the remainder of 2014. New contract awards, additional short-duration projects, scope changes and industrial maintenance work are expected to supplement the segment's annual revenue. Industrial Services' revenue is expected to modestly increase compared to 2013, and combined with consistent to slightly lower year-over-year margins, should generate increased EBITDA.

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)	2014 Quarter ended:	2013 Quarter ended:				2012[(1)] Quarter ended:		
	Mar. 31	Dec.31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30
Contract revenue	$ 274.6	$ 297.0	$ 294.8	$ 277.8	$ 236.8	$ 289.9	$ 303.2	$ 295.8
EBITDA[(2)]	$ 8.0	$ 12.8	$ 12.3	$ 9.2	$ 6.8	$ 9.1	$ 12.0	$ 3.2
Net earnings (loss)	$ (0.6)	$ 3.3	$ 2.6	$ 0.5	$ (1.2)	$ (62.7)	$ 1.7	$ (4.3)
EPS - basic	(0.02)	0.13	0.10	0.02	(0.05)	(2.56)	0.07	(0.17)
EPS - diluted	(0.02)	0.13	0.10	0.02	(0.05)	(2.56)	0.07	(0.17)

Note: *(1) Refer to Note 3 of the Corporation's 2013 Consolidated Annual Financial Statements for retrospective adoption of IAS 19 (2011).*
(2) EBITDA is a non-IFRS measure, refer to "Non-IFRS Measures" for the definition.

Revenue grew modestly during the third quarter of 2012 compared to the second quarter of 2012. Additionally, the absence of major project challenges 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.

All first quarter 2014 financial results declined relative to the fourth quarter of 2013 as all business segments experienced seasonal revenue declines quarter over quarter.

The reader is referred to our 2013 and 2012 Annual and Interim Reports for a more detailed discussion and analysis of quarterly results prior to March 31, 2014.

CRITICAL ACCOUNTING ESTIMATES

Our financial statements include estimates and assumptions made by management in respect to 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 our 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.

The key assumptions and basis for the estimates that management has made under IFRS and their impact on the amounts reported in the Condensed Consolidated Interim Financial Statements and notes thereto, are contained in the 2013 Annual Report, Management’s Discussion and Analysis.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2013, we 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 our Consolidated Annual Financial Statements.

Effective January 1, 2013, we 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, we 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

We have 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. We do not expect the impact of future changes in accounting standards to be material to our Condensed Consolidated Interim 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 our 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 our interest-bearing financial liabilities, including capital leases, financed contracts and the RCF, also approximates their respective carrying amounts due to the floating-rate nature of the debt.

The financial instruments we use expose Churchill to credit, interest rate and liquidity risks. Our 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.

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

Allowances are provided for potential 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. We take into consideration the customer's payment history, creditworthiness and the current economic environment in which the customer operates to assess impairment.

We establish 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 (Loss) and Comprehensive Earnings (Loss), and is net of any recoveries that were provided for in a prior period. Allowance for doubtful accounts as at March 31, 2014 was $3.4 million (December 31, 2013 – $3.2 million).

In determining the quality of trade receivables, we consider any change in credit quality of the customers from the date credit was initially granted up to the end of the reporting period. As at March 31, 2014, we had $21.0 million of trade receivables (December 31, 2013 – $20.6 million) which were greater than 90 days past due, with $17.6 million not provided for as at March 31, 2014 (December 31, 2013 – $17.4 million). Of the total, $12.4 million (59.0%) was concentrated in three customer accounts, and of this amount, $12.4 million remained outstanding as of May 6, 2014. The three customers are considered to be credit-worthy and there are currently 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 our earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. We do not use derivative instruments to reduce our exposure to this risk. At March 31, 2014, 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 $0.2 million (December 31, 2013 - $0.3 million) related to financial assets and by $0.6 million (December 31, 2013 - $0.4 million) related to financial liabilities.

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

Under our risk management policy, derivative financial instruments are used only for risk management purposes and not for generating trading profits.

Refer to *Note 13(b)(ii)* of the March 31, 2014 Condensed Consolidated Interim 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 our disclosure controls and procedures. They are assisted in this responsibility by the Disclosure Committee which is composed of members of our senior management team.

An evaluation of the effectiveness of the design of our disclosure controls and procedures was carried out under the supervision of our management, including the CEO and CFO, with oversight by the Board of Directors and Audit Committee, as of March 31, 2014. Based on this evaluation, the CEO and CFO have concluded that the design of our disclosure controls and procedures as defined in NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings was effective as at March 31, 2014.

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 our financial reporting.

Under the oversight of the Board of Directors and our Audit Committee, Churchill management, including our CEO and CFO, evaluated the design of our 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 (1992). The evaluation included documentation review, enquiries, testing and other procedures considered by management to be appropriate in the circumstances. As at March 31, 2014, our CEO and CFO have concluded that the design 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 our internal controls over financial reporting and the environment in which they operated during the period beginning on January 1, 2014 and ending on March 31, 2014 that have materially affected or are reasonably likely to materially affect our 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 our management to assist in making operating decisions and assessing performance. They are presented in this MD&A to assist readers to assess the performance of Churchill and our operating companies. While we calculate 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 to us for construction. 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 and Active Backlog

Backlog means the total value of work, including work-in-hand, that has not yet been completed that (a) is assessed by us as having high certainty of being performed by the Corporation or our 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 our 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 us as being reasonably assured. Active backlog is the portion of backlog that is not work-in-hand (has not been contractually awarded to us). We provide no assurance that clients will not choose to defer or cancel their projects in the future.

As at: ($millions)	March 31, 2014			December 31, 2013		
	Work-in-hand	Active backlog	Total backlog	Work-in-hand	Active backlog	Total backlog
	$ 1,074.0	$ 1,136.0	$ 2,210.0	$ 1,159.8	$ 956.4	$ 2,116.2

Book-to-Bill Ratio

The ratio of new project awards and increases in the scope of existing projects ("book") to revenue ("bill"), for a specified period of time. A book-to-bill ratio of above 1 implies that backlog additions were more than revenue for the specified time period, while a ratio below 1 implies that revenue exceeded backlog additions for the period.

Working Capital

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

As at: ($millions)	March 31, 2014	December 31, 2013
Current assets	$ 395.6	$ 367.3
Current liabilities	284.0	282.4
Working capital	$ 111.6	$ 84.9

EBITDA and EBT

During the period, the Corporation revised its definition of EBITDA to exclude the impact of gains and losses on asset and investment dispositions. The update has not had a material impact to the calculation of EBITDA in either the current year or 2013 comparatives.

The Corporation defines EBITDA as net earnings from continuing operations before interest expense, income taxes, capital asset depreciation and amortization, impairment charges, and gains/losses on asset and investment dispositions. This measure as reported by the Corporation may not be comparable to similar measures presented by other reporting issuers. EBT is earnings from continuing operations before income taxes. While EBITDA is a common financial measure widely used by investors to facilitate an "enterprise level" valuation of an entity, it does not have a standardized definition prescribed by IFRS, therefore other issuers may calculate EBITDA differently. 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.

($millions)	Three months ended March 31	
	2014	2013
Net earnings from continuing operations	$ (0.6)	$ (1.2)
Add:		
Income tax expense	(0.1)	(0.2)
EBT from continuing operations	$ (0.7)	$ (1.4)
Add:		
Depreciation and amortization (indirect cost)	2.6	2.5
Depreciation and amortization (general and administrative)	3.2	2.9
Finance costs	2.9	2.7
(Gain) loss on disposal of assets	-	0.1
EBITDA from continuing operations	$ 8.0	$ 6.8

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 our 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. We believe 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:

- The Board's confidence in the Corporation's ability to generate sufficient operating cash flows to support management's business plans, including its growth strategy, while providing a certain amount of income to shareholders;
- The Board's intention to continue to pay a dividend;
- Our 2014 capital expenditure program and the development and timing of a strategy to provide capital resources for the repayment of the Corporation's outstanding convertible debentures due in June 2015;
- Our objective to manage the Corporation's capital resources so as to ensure that we have sufficient liquidity to pursue growth objectives and maintain the payment of dividends, while maintaining a prudent amount of financial leverage;
- Our belief that the Corporation has sufficient capital resources and liquidity to meet commitments, support operations, finance capital expenditures, support growth strategies and fund dividends;
- Our business strategies, including our focus on growing revenue and earnings through organic growth, expanded geographical presence and acquisitions;
- Our outlook on the business including, without limitation, those statements relating to backlog execution, project mix and timing, earnings visibility, revenue and margin;
- The continued assessment of tuck-in acquisitions in the context of our corporate development function in order to further our goal of becoming an integrated full-service construction company;

- Our plans to rebrand the Corporation as part of our “one company” strategy;
- The expectation that any of our 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 our operating companies to add to or execute upon work-in-hand or active backlog;
- Expectations as to future general economic conditions and the impact those conditions may have on the Corporation and our 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 our operating companies, and our ability to compete for projects;
- Our projected use of cash resources; and
- The ability of our 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, we have made assumptions regarding, among other things:

- The expected performance of the global and Canadian economies and the effects thereof on our businesses;
- Our ability to attract future debt and/or equity investors;
- The impact of competition on our businesses;
- 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.

Our 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 United States;
- 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 our most recent Annual Information Form.

The forward-looking information contained in this MD&A is made as of the date hereof and we undertake 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 our current Annual Information Form and other required securities filings, is available on our website at www.churchillcorporation.com and under Churchill's SEDAR profile at www.sedar.com.

Three month periods ended March 31, 2014 and 2013

Condensed Consolidated Interim Financial Statements

(unaudited)

THE CHURCHILL CORPORATION
Condensed Consolidated Statements of Loss and Comprehensive Loss
For the three month periods ended March 31, 2014 and 2013
(in thousands of Canadian dollars, except share and per share amounts)
(unaudited)

	Note	**March 31, 2014**	March 31, 2013
Contract revenue		**$ 274,561**	$ 236,844
Contract costs		**249,280**	214,839
Contract income		**25,281**	22,005
Other income		**113**	107
Finance income		**61**	71
Administrative costs		**(23,241)**	(20,810)
Finance costs		**(2,920)**	(2,738)
Loss before tax		**(706)**	(1,365)
Income tax (expense) recovery			
Current income tax		**(89)**	(382)
Deferred income tax		**181**	549
	5	**92**	167
Net loss		**(614)**	**(1,198)**
Other comprehensive (loss) earnings			
Items that will not be reclassified to net (loss) earnings			
Defined benefit plan actuarial (loss) gain	6	**(1,184)**	1,418
Deferred tax recovery (expense) on other comprehensive (loss) earnings		**307**	(358)
		(877)	1,060
Total comprehensive loss		**$ (1,491)**	$ (138)
Loss per share:			
Basic loss per share	7	**$ (0.02)**	$ (0.05)
Diluted loss per share	7	**$ (0.02)**	$ (0.05)
Weighted average common shares:			
Basic	7	**24,867,459**	24,539,124
Diluted	7	**24,867,459**	24,539,124

See accompanying notes to the condensed consolidated financial statements.

THE CHURCHILL CORPORATION
Condensed Consolidated Statements of Financial Position
As at March 31, 2014 and December 31, 2013
(in thousands of Canadian dollars)
(unaudited)

	Note	March 31, 2014	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents		**$ 30,340**	$ 36,236
Trade and other receivables		**298,817**	262,836
Inventory		**11,635**	11,362
Prepaid expenses		**3,302**	2,426
Costs in excess of billings	8	**45,473**	48,455
Income taxes recoverable		**5,489**	5,470
Current portion of long-term receivable		**98**	75
Assets held-for-sale		**436**	436
		395,590	367,296
Service provider deposit		**5,283**	6,157
Long-term receivable		**375**	175
Deferred tax asset		**16,139**	13,881
Property and equipment		**72,906**	76,341
Goodwill		**179,016**	179,016
Intangible assets		**50,309**	51,810
		$ 719,618	$ 694,676
LIABILITIES			
Current liabilities			
Trade and other payables		**$ 195,044**	$ 190,363
Contract advances and unearned income	8	**81,396**	80,708
Current portion of provisions	9	**4,122**	3,987
Income taxes payable		**1,098**	4,823
Current portion of long-term debt		**2,301**	2,559
		283,961	282,440
Employee benefits	6	**4,546**	3,639
Provisions	9	**6,095**	4,892
Long-term debt		**71,417**	50,335
Convertible debentures		**82,560**	81,855
Deferred tax liability		**30,416**	28,646
Share-based payments	10(d)	**7,129**	5,911
		486,124	457,718
EQUITY			
Share capital	11(a)	**130,045**	129,134
Preferred share reserve		**5,128**	5,128
Convertible debentures		**7,100**	7,100
Share-based payment reserve	10(a)	**8,696**	8,594
Retained earnings		**82,525**	87,002
		233,494	236,958
		$ 719,618	$ 694,676

See accompanying notes to the condensed consolidated financial statements.

THE CHURCHILL CORPORATION
Condensed Consolidated Statements of Changes in Equity
For the three month periods ended March 31, 2014 and 2013
(in thousands of Canadian dollars)
(unaudited)

	Note	Share capital	Preferred share reserve	Convertible debentures	Share-based payment reserve	Retained earnings	Total equity
Balance at December 31, 2013		$ 129,134	$ 5,128	$ 7,100	$ 8,594	$ 87,002	$ 236,958
Net loss						(614)	(614)
Other comprehensive loss:							
Defined benefit plan actuarial loss, net of tax	6					(877)	(877)
Total comprehensive loss						(1,491)	(1,491)
Transactions recorded directly to equity							
Common shares issued under stock option plan	11(a), 10(a)	486			102		588
Dividends	11(a, b)	425				(2,986)	(2,561)
Balance at March 31, 2014		$ 130,045	$ 5,128	$ 7,100	$ 8,696	$ 82,525	$ 233,494
Balance at December 31, 2012		$ 126,602	$ 5,128	$ 7,100	$ 7,171	$ 89,149	$ 235,150
Net loss						(1,198)	(1,198)
Other comprehensive loss:							
Defined benefit plan actuarial gain, net of tax						1,060	1,060
Total comprehensive loss						(138)	(138)
Transactions recorded directly to equity							
Common shares issued under stock option plan					254	-	254
Dividends		437				(2,946)	(2,509)
Balance at March 31, 2013		$ 127,039	$ 5,128	$ 7,100	$ 7,425	$ 86,065	$ 232,757

See accompanying notes to the condensed consolidated financial statements.

THE CHURCHILL CORPORATION
Condensed Consolidated Statements of Cash Flow
For the three month periods ended March 31, 2014 and 2013
(in thousands of Canadian dollars)
(unaudited)

	Note	March 31, 2014	March 31, 2013
OPERATING ACTIVITIES			
Net loss		$ (614)	$ (1,198)
Depreciation and amortization		5,856	5,388
Gain on disposal of assets		(44)	(8)
Share-based compensation expense	10(e)	1,692	324
Income tax recovery	5	(92)	(167)
Finance costs		2,920	2,738
Contributions to employee benefits		(277)	(489)
Payment of share-based payment liability		(45)	-
Change in provisions		1,338	1,081
Change in non-cash working capital balances	12	(28,959)	3,746
Cash (used) generated in operations		(18,225)	11,415
Interest paid		(2,058)	(486)
Income taxes (paid) received		(3,831)	30
Net cash (used) generated in operating activities		(24,114)	10,959
INVESTING ACTIVITIES			
Additions to long-term receivable		(223)	-
Proceeds on disposal of assets		421	66
Additions to intangible assets		(293)	(244)
Additions to property and equipment		(1,005)	(2,960)
Net cash used in investing activities		(1,100)	(3,138)
FINANCING ACTIVITIES			
Decrease (increase) in service provider deposit		874	(245)
Proceeds of long-term debt		147,000	58,152
Repayment of long-term debt		(126,333)	(47,151)
Issuance of common shares		328	-
Dividend paid		(2,551)	(2,940)
Net cash generated in financing activities		19,318	7,816
(Decrease) increase in cash and cash equivalents during the period		(5,896)	15,637
Cash and cash equivalents, beginning of period		36,236	33,774
Cash and cash equivalents, end of period		$ 30,340	$ 49,411

See accompanying notes to the condensed consolidated financial statements.

1. REPORTING ENTITY

The Churchill Corporation was incorporated on August 31, 1981 in Canada under the Companies Act of Alberta and was continued under the Business Corporations Act (Alberta) on July 30, 1985. The principal activities of The Churchill Corporation and its subsidiaries (collectively, the "Corporation") are to provide building construction, commercial electrical and data systems contracting, industrial insulation contracting, industrial electrical and instrumentation contracting, civil construction and related services within Canada.

The address of the Corporation's head office and its principal address is #400, 4954 Richard Road S.W., Calgary, Alberta, Canada, T3E 6L1. The registered and records office is located at #3700, 400 – 3rd Avenue, S.W., Calgary, Alberta, Canada, T2P 4H2.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These interim condensed consolidated financial statements are prepared in accordance with IAS 34, Interim Financial Reporting (IAS 34), as issued by the International Accounting Standards Board (IASB).

These unaudited condensed consolidated financial statements were approved by the Corporation's Board of Directors on May 6, 2014.

(b) Summary of Significant Accounting Policies

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Corporation for the year ended December 31, 2013. The disclosure contained in these interim condensed consolidated financial statements does not include all the requirements in IAS 1, "Presentation of Financial Statements" (IAS 1). Accordingly, these interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2013.

3. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

The standards and interpretations in issue but not yet adopted by the Corporation have been disclosed in the audited annual financial statements at December 31, 2013. There have been no new standards and interpretations issued in the first quarter that have an impact on the Corporation.

4. SEGMENTS

The Corporation operates as a construction and maintenance services provider, primarily in Western Canada. The Corporation divides its operations into four reporting segments and reports its results under the categories of: General Contracting, Industrial Services, Commercial Systems, and Corporate and Other. The accounting policies and practices for each of the segments are the same as those described in Note 3 of the audited annual consolidated financial statements for the year ended December 31, 2013.

A significant customer is one that represents greater than 10% or more of contract revenue earned during the period. For the three month period ended March 31, 2014, the Corporation had revenue of $29,851 from one significant customer in the general contracting segment, and $29,097 from one significant customer in the industrial services segment (March 31, 2013 – no significant customers).

(in thousands of Canadian dollars, except share and per share amounts)

Three month period ended March 31, 2014	**General Contracting**	**Industrial Services**	**Commercial Systems**	**Corporate and Other**	**Intersegment Eliminations**	**Total**
Contract revenue	**$ 134,077**	**$ 90,627**	**$ 60,098**	**$ -**	**$ (10,241)**	**$ 274,561**
EBITDA [1]	**2,792**	**5,468**	**4,870**	**(4,395)**	**(709)**	**8,026**
Depreciation and amortization	**1,309**	**2,352**	**404**	**1,738**	**53**	**5,856**
(Gain) loss on sale of assets	**(3)**	**(25)**	**(16)**	**-**	**-**	**(44)**
Finance costs	**-**	**98**	**-**	**2,822**	**-**	**2,920**
Earnings (loss) before tax	**$ 1,486**	**$ 3,043**	**$ 4,482**	**$ (8,955)**	**$ (762)**	**$ (706)**
Income tax expense						**92**
Net loss						**$ (614)**
Goodwill and intangible assets	**$ 125,684**	**$ 7,791**	**$ 76,680**	**$ 19,170**	**$ -**	**$ 229,325**
Capital and intangible expenditures	**$ 373**	**$ 344**	**$ 314**	**$ 267**	**$ -**	**$ 1,298**
Total assets	**$ 337,238**	**$ 174,455**	**$ 124,331**	**$ 413,481**	**$ (329,887)**	**$ 719,618**
Total liabilities	**$ 211,153**	**$ 60,208**	**$ 51,119**	**$ 180,282**	**$ (16,638)**	**$ 486,124**

Three month period ended March 31, 2013	General Contracting	Industrial Services	Commercial Systems	Corporate and Other	Intersegment Eliminations	Total
Contract revenue	$ 116,949	$ 79,562	$ 47,628	$ -	$ (7,295)	$ 236,844
EBITDA	(536)	6,178	4,029	(2,932)	16	6,755
Depreciation and amortization	992	2,018	411	1,917	53	5,390
(Gain) loss on sale of assets	(3)	(1)	(4)	-	-	(8)
Finance costs	41	12	-	2,686	-	2,738
(Loss) earnings before tax	$ (1,565)	$ 4,149	$ 3,622	$ (7,534)	$ (37)	$ (1,365)
Income tax expense						167
Net loss						$ (1,198)
Goodwill and intangible assets	$ 127,812	$ 7,754	$ 79,948	$ 20,491	$ -	$ 236,005
Capital and intangible expenditures	$ 564	$ 2,184	$ 191	$ 417	$ -	$ 3,356
Total assets	$ 353,496	$ 162,036	$ 107,880	$ 412,379	$ (326,827)	$ 708,964
Total liabilities	$ 225,494	$ 56,979	$ 42,274	$ 168,384	$ (16,924)	$ 476,207

[1] During the period, the Corporation revised its definition of EBITDA to exclude the impact of gains and losses on asset and investment dispositions. The Corporation defines EBITDA as net earnings from continuing operations before interest expense, income taxes, capital asset depreciation and amortization, impairment charges, and gains/losses on asset and investment dispositions. While EBITDA is a common financial measure widely used by investors to facilitate an "enterprise level" valuation of an entity, it does not have a standardized definition prescribed by IFRS, therefore other issuers may calculate it differently.

(in thousands of Canadian dollars, except share and per share amounts)

5. INCOME TAXES

Income tax recognized in the condensed consolidated statement of loss:

		March 31, 2014		March 31, 2013
Net loss before tax	**$**	**(706)**	$	(1,365)
Income tax at statutory rate of 25.7% (2013 - 25.4%)		**181**		347
Statutory and other rate differences		**(31)**		(50)
Non-deductible expenses		**(135)**		(150)
Other		**77**		20
Income tax recovery	**$**	**92**	$	167

6. EMPLOYEE BENEFITS

Movement in the net liability for the Defined Benefit Pension Plan during the period:

		March 31, 2014		December 31, 2013
Balance, beginning of the period	**$**	**3,639**	$	10,820
Expense recognized in profit or loss		**255**		1,673
Loss (gain) recognized in other comprehensive (earnings) loss		**1,184**		(6,097)
Company contributions		**(532)**		(2,757)
Balance, end of the period	**$**	**4,546**	$	3,639

This loss recognized in other comprehensive loss for the period ended March 31, 2014 resulted from a decrease in the discount rate from 4.70% at December 31, 2013 to 4.25% at March 31, 2014.

(in thousands of Canadian dollars, except share and per share amounts)

7. LOSS PER SHARE

(a) Basic loss per share

	March 31, 2014	March 31, 2013
Net loss attributable to common shareholders (basic)	**$ (614)**	$ (1,198)
Issued common shares at beginning of period	**24,797,163**	24,493,462
Effect of shares issued related to DRIP	**42,093**	45,662
Effect of shares issued on exercise of stock options	**28,203**	-
Weighted average number of common shares for the period	**24,867,459**	24,539,124
Basic loss per share	**$ (0.02)**	$ (0.05)

(b) Diluted loss per share

	March 31, 2014	March 31, 2013
Net loss attributable to common shareholders (diluted)	**$ (614)**	$ (1,198)
Weighted average number of common shares (basic)	**24,867,459**	24,539,124
Incremental shares - stock options	**-**	-
Weighted average number of common shares for the period (diluted)	**24,867,459**	24,539,124
Diluted loss per share	**$ (0.02)**	$ (0.05)

For the three month period ended March 31, 2014, the number of options excluded from the diluted weighted average number of common share calculations was 1,656,544 (March 31, 2013 – 1,413,147), as their effect would have been anti-dilutive. There were no incremental shares related to the convertible debentures included in the weighted average calculation for the three month periods ended March 31, 2014 and 2013 as the impact of the normalization of earnings (interest, accretion and amortization add-back) outweighed the effect of the related incremental shares and therefore the convertible debentures were anti-dilutive.

(in thousands of Canadian dollars, except share and per share amounts)

8. CONSTRUCTION AND NON-CONSTRUCTION CONTRACTS

Contracts in progress:

	March 31, 2014	December 31, 2013
Construction costs incurred plus recognized profits less recognized losses to date	**$ 3,678,135**	$ 4,514,572
Less: progress billings	**(3,723,282)**	(4,557,358)
Net over billings on construction contracts	**(45,147)**	(42,786)
Non-construction costs incurred plus recognized profits less recognized losses to date	**$ 282,411**	$ 307,355
Less: progress billings	**(273,187)**	(296,822)
Net under billings on non-construction contracts	**9,224**	10,533
Total net contract position	**$ (35,923)**	$ (32,253)

Recognized and included in the condensed consolidated statement of financial position:

	March 31, 2014	December 31, 2013
Costs in excess of billings - Construction contracts	**$ 36,223**	$ 37,918
Costs in excess of billings - Non-construction contracts	**9,250**	10,537
Total costs in excess of billings	**45,473**	48,455
Contract advances and unearned income - Construction contracts	**$ (81,370)**	$ (80,691)
Contract advances and unearned income - Non-construction contracts	**(26)**	(17)
Total contract advances and unearned income	**(81,396)**	(80,708)
Total net contract position	**$ (35,923)**	$ (32,253)

At March 31, 2014, retentions held by customers for contract work amounted to $75,111 (December 31, 2013 - $62,123). Advances received from customers for contract work amounted to $81,396 (December 31, 2013 - $80,708).

9. PROVISIONS

Provisions are recognized when the Corporation has a settlement amount as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate of the obligation can be made. Reversals of provisions are made when new information arises in the period.

	Warranties	**Restructuring costs**	**Claims and disputes**	**Subcontractor default**	**Onerous contract**	**Total**
Balance at December 31, 2013	$ 3,067	$ 371	$ 1,901	$ 3,540	$ -	**$ 8,879**
Provisions made during the period	847	-	40	490	739	**2,116**
Provisions used during the period	-	(45)	-	(2)	-	**(47)**
Provisions reversed in the period	(731)	-	-	-	-	**(731)**
Balance at March 31, 2014	**$ 3,183**	**$ 326**	**$ 1,941**	**$ 4,028**	**$ 739**	**$ 10,217**

(in thousands of Canadian dollars, except share and per share amounts)

The provisions are presented on the statement of financial position as follows:

	March 31, 2014	December 31, 2013
Current portion of provisions	$ 4,122	$ 3,987
Long-term provisions	6,095	4,892
Total provisions	$ 10,217	$ 8,879

10. SHARE-BASED PAYMENTS

(a) Stock options

Movement during the periods:

	March 31, 2014		December 31, 2013	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of the period	1,838,117	$ 12.29	1,379,981	$ 14.76
Granted	-	-	756,719	7.69
Forfeited	(47,308)	13.59	(65,629)	11.30
Exercised	(40,562)	8.08	(94,481)	6.52
Expired	(93,703)	13.15	(138,473)	16.22
Outstanding, end of period	1,656,544	$ 12.34	1,838,117	$ 12.29

The options outstanding for the periods ended March 31, 2014 and December 31, 2013 have an exercise price in the range of $7.50 to $19.63 and lives of 5 and 10 years.

Compensation costs are recognized over the vesting period as stock-based compensation expense and an increase to the share-based payment reserve. When options are exercised, the fair value amount in the share-based payment reserve is credited to share capital. During the period, 40,562 stock options were exercised at a weighted average price of $8.08.

The following table illustrates the movement in the share-based payment reserve:

	March 31, 2014	December 31, 2013
Balance, beginning of the period	$ 8,594	$ 7,171
Stock compensation expense	260	1,701
Stock options exercised	(158)	(278)
Balance, end of period	$ 8,696	$ 8,594

(in thousands of Canadian dollars, except share and per share amounts)

(b) Medium Term Incentive Plan (MTIP)

Movement during the periods:

	Bridging Restricted Share Units (BRSU)	Restricted Share Units (RSU)	Performance Share Units (PSU)
Units outstanding at December 31, 2012	-	-	279,447
Granted	295,109	164,792	318,002
Forfeited	(17,764)	(10,388)	(19,512)
Vested	(5,130)	-	(10,285)
Vested and paid	(9,734)	(7,662)	(64,679)
Units outstanding at December 31, 2013	262,481	146,742	502,973
Units outstanding at December 31, 2013	262,481	146,742	502,973
Forfeited	(4,733)	(2,534)	(2,811)
Vested	(200)	-	(64,907)
Units outstanding at March 31, 2014	**257,548**	**144,208**	**435,255**

The PSUs issued in March 2011 vested on March 22, 2014 at a payout ratio of 30%. At March 31, 2014, $201 was included in trade and other payables related to the payout of the vested PSUs.

In April 2014, 20% of the BRSUs issued on April 1, 2013 vested at a weighted average price of $10.18, and $524 was accrued in trade and other payables as at March 31, 2014.

(c) Deferred share units (DSU)

Movement during the periods:

Number of DSUs	**March 31, 2014**	December 31, 2013
Outstanding, beginning of the period	**363,550**	407,575
Granted	**25,612**	121,990
Cancelled	**-**	(14,407)
Settled	**(1,393)**	(151,608)
Outstanding, end of period	**387,769**	363,550

(in thousands of Canadian dollars, except share and per share amounts)

(d) Stock-based payment liability

		March 31, 2014		December 31, 2013
Carrying amount of liabilities for cash-settled arrangements				
Current portion	**$**	**725**	$	556
Long-term portion		**7,129**		5,911
Total carrying amount	**$**	**7,854**	$	6,467
Total intrinsic value of liability for vested benefits	**$**	**4,525**	$	3,480

Included in trade and other payables in the condensed consolidated statement of financial position is the current portion of the MTIPs to be paid out within the next twelve months. The long-term portion of MTIPs and DSUs of $7,129 at March 31, 2014 (December 31, 2013 – $5,911) is classified as share-based payments. The total intrinsic value reflects all of the outstanding DSUs and vested MTIPs as at March 31, 2014.

(e) Stock compensation expense

		March 31, 2014		March 31, 2013
Stock compensation expense on stock options	**$**	**260**	$	254
Effects of changes in fair value and acretion of MTIP grants		**528**		96
Effects of changes in fair value and grants for DSUs		**904**		(26)
	$	**1,692**	$	324

11. SHARE CAPITAL

(a) Common shares and preferred shares

The Corporation's common shares have no par value and the authorized share capital is comprised of an unlimited number of common shares and an unlimited number of preferred shares issuable in series with rights set by the directors.

	March 31, 2014			December 31, 2013		
	Shares		**Share Capital**	Shares		Share Capital
Common Shares						
Issued, beginning of period	**24,797,163**	**$**	**129,134**	24,493,462	$	126,602
Dividend reinvestment plan	**49,200**		**425**	209,220		1,638
Issued in the period	**40,562**		**486**	94,481		894
Issued, end of period	**24,886,925**	**$**	**130,045**	24,797,163	$	129,134

(in thousands of Canadian dollars, except share and per share amounts)

(b) Common shares and dividends

As at March 31, 2014, trade and other payables includes $2,986 (December 31, 2013 - $2,976) related to the dividend payable on April 15, 2014, of which $366 (December 31, 2013 - $425) is to be reinvested in common shares under the DRIP and the remainder paid in cash.

	March 31, 2014		December 31, 2013	
	Per Share	**Total**	Per Share	Total
Dividend payable, beginning of period	**$ 0.12**	**$ 2,976**	$ 0.12	$ 2,940
Total dividends declared during the period	**0.12**	**2,986**	0.48	11,840
Total dividends paid during the period [1]	**(0.12)**	**(2,976)**	(0.48)	(11,804)
Dividend payable, end of period	**$ 0.12**	**$ 2,986**	$ 0.12	$ 2,976

[1] Includes DRIP non-cash payments totaling $425 (December 31, 2013 - $1,638) which are recorded through share capital.

12. CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATING TO OPERATIONS

	March 31, 2014	March 31, 2013
Trade and other receivables	**$ (35,981)**	$ 54,243
Inventory	**(273)**	228
Prepaid expenses	**(876)**	111
Costs in excess of billings	**2,982**	(6,889)
Trade and other payables	**4,501**	(36,461)
Contract advances and unearned income	**688**	(7,486)
	$ (28,959)	$ 3,746

13. FINANCIAL INSTRUMENTS

(a) Carrying values

	March 31, 2014	December 31, 2013
Financial assets:		
Cash and cash equivalents	**$ 30,340**	$ 36,236
Trade and other receivables	**298,817**	262,836
Service provider deposit	**5,283**	6,157
Long-term receivable, including current portion	**473**	250
Financial liabilities:		
Trade and other payables	**$ 195,044**	$ 190,363
Long-term debt, including current portion	**73,718**	52,894
Convertible debentures - debt component	**82,560**	81,855

(in thousands of Canadian dollars, except share and per share amounts)

(b) Financial risk management

(i) Credit risk

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 it believes are of high credit quality as assessed by reputable rating agencies. Given these high credit ratings, the Corporation does not expect any counterparties holding these cash equivalents to fail to meet their obligations.

The Corporation assesses trade and other receivables 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, credit worthiness and the current economic environment in which the customer operates to assess impairment.

Prior to accepting new customers, the Corporation assesses the customer's credit quality and establishes the customer's credit limit. The Corporation accounts for specific bad debt provisions when management considers that the expected recovery is less than the actual amount of the accounts receivable.

The provision for doubtful accounts has been included in administrative costs in the condensed consolidated statement of loss and is net of any recoveries that were provided for in a prior period.

The following table represents the movement in the allowance for doubtful accounts:

	March 31, 2014	December 31, 2013
Balance at beginning of the period	**$ 3,224**	$ 1,589
Impairment losses recognized on receivables	**251**	2,869
Amounts written off during the period as uncollectible	**(43)**	(190)
Amounts recovered during the period	**-**	(993)
Impairment losses reversed	**-**	(51)
Balance at the end of the period	**$ 3,432**	$ 3,224

(in thousands of Canadian dollars, except share and per share amounts)

Trade receivables shown on the statement of financial position include the following amounts that are current and past due at the end of the reporting period. The Corporation does not hold any collateral over these balances. The terms and conditions established with individual customers determine whether or not the receivable is past due.

	March 31, 2014	December 31, 2013
Current	**$ 103,389**	$ 101,045
1-60 days past due	**92,575**	73,744
61-90 days past due	**7,235**	6,359
More than 90 days past due	**21,033**	20,594
	$ 224,232	$ 201,742

In determining the quality of trade receivables, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The Corporation had $21,033 of trade receivables (December 31, 2013 – $20,594) which were greater than 90 days past due with $17,601 not provided for as at March 31, 2014 (December 31, 2013 – $17,370). Of the total, $12,404 (59%) was concentrated in three customer accounts and of this amount $12,387 remained outstanding as May 6, 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 statement of financial position.

(ii) Interest rate risk

Financial risk is the risk to the Corporation's earnings that arises from fluctuations in the interest rates and the degree of volatility of these rates. The Corporation is exposed to variable interest rate risk on its revolving credit facility. The Corporation does not use derivative instruments to reduce its exposure to this risk.

At the reporting date, the interest rate profile of the Corporation's interest-bearing financial instruments was:

	Carrying amount	
	March 31, 2014	December 31, 2013
Fixed rate instruments		
Financial liabilities	**$ 82,560**	$ 81,855
Variable rate instruments		
Financial assets	**$ 30,340**	$ 36,236
Financial liabilities	**73,718**	52,894

(in thousands of Canadian dollars, except share and per share amounts)

Fixed rate sensitivity

The Corporation does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

Variable rate sensitivity

A change of 100 basis points in interest rates at the reporting date would have increased or decreased equity and profit or loss by $228 (December 31, 2013 - $272) related to financial assets and by $553 (December 31, 2013 - $397) related to financial liabilities.

(iii) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation manages this risk through cash and debt management. 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.

The Corporation believes it has sufficient funding through the use of these facilities to meet foreseeable financial liability obligations.

The following are the contractual obligations, including interest payments as at March 31, 2014, in respect of the financial obligations of the Corporation. Interest payments on the revolving credit facility have not been included in the table below since they are subject to variability based upon outstanding balances at various points throughout the period.

	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	**$ 195,044**	$ 195,044	$ 195,044	$ -	$ -	$ -
Provisions including current portion	**10,217**	10,217	4,122	2,067	-	4,028
Convertible debentures (debt portion)	**82,560**	94,013	5,175	88,838	-	-
Long-term debt including current portion	**73,718**	73,718	2,301	470	70,947	-
Lease commitments	**64,152**	64,152	7,619	12,152	12,151	32,230
	$ 425,691	$ 437,144	$ 214,261	$ 103,527	$ 83,098	$ 36,258

(in thousands of Canadian dollars, except share and per share amounts)

14. CAPITAL MANAGEMENT

The Corporation's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy, and the payment of dividends, while taking a prudent approach towards financial leverage and management of financial risk.

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

The Corporation intends to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Corporation may issue new shares, raise debt or refinance existing debt with different characteristics.

The primary non-IFRS measures used by the Corporation to monitor its financial leverage are its ratios of long-term indebtedness to capitalization and net long-term indebtedness to EBITDA. The net long-term indebtedness to EBITDA measure was adopted in the period and replaces the previous measure of long-term indebtedness to EBITDA. The new metric nets cash on hand against long-term indebtedness, which more closely reflects how management measures the strength of the balance sheet.

For the purposes of capital management, long-term indebtedness includes long-term debt and the debt component of convertible debentures, both net of deferred financing charges.

Over the long-term, the Corporation strives to maintain a target long-term indebtedness to capitalization percentage in the range of 20 to 40 percent, calculated as follows:

		March 31, 2014		December 31, 2013
Long-term indebtedness:				
Long-term debt, excluding current portion net of deferred financing fees	**$**	**71,417**	$	50,335
Convertible debentures - debt component net of deferred financing fees		**82,560**		81,855
Total long-term indebtedness		**153,977**		132,190
Total equity		**233,494**		236,958
Total capitalization	**$**	**387,471**	$	369,148
Indebtedness to capitalization percentage		**40%**		36%

(in thousands of Canadian dollars, except share and per share amounts)

The Corporation also revised its target net long-term indebtedness to EBITDA ratio to 2.0x to 3.0x over a three to five-year planning horizon. At March 31, 2014, the net long-term indebtedness to EBITDA was 2.92x (March 31, 2013 – 2.92x) calculated on a last twelve-month basis as follows:

		March 31, 2014		March 31, 2013
Total long-term indebtedness	**$**	**153,977**	$	142,938
Less: Cash on hand		**(30,340)**		(49,411)
Net long-term indebtedness	**$**	**123,637**	$	93,527
Net earnings (loss)	**$**	**5,729**	$	(66,543)
Add:				
Finance costs		**11,758**		11,450
Income tax expense (recovery)		**1,968**		(3,335)
Depreciation and amortization		**22,973**		25,824
(Gain) loss on sale of assets		**(92)**		-
Impairment loss		**-**		64,600
EBITDA	**$**	**42,336**	$	31,996
Long-term indebtedness to EBITDA ratio		**2.92x**		2.92x

The Corporation also manages its capital through a rolling forecast of financial position and expected operating results. In addition, the Corporation establishes and reviews operating and capital budgets and cash flow forecasts in order to manage overall capital with respect to financial covenants. The Corporation's revolving credit facility is subject to the covenants described in the Corporation's audited annual consolidated financial statements at December 31, 2013. The covenants are measured each quarter on March 31, June 30, September 30 and December 31. The Corporation was in full compliance with its credit facility covenants at March 31, 2014 and December 31, 2013.

15. RELATED PARTY TRANSACTIONS

Balances and transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below.

The Corporation incurred facility costs during the period ended March 31, 2014 of $80 (March 31, 2013 – $83) 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. No amounts are included in trade payables as at March 31, 2014 (March 31 2013 – $nil).

The Corporation incurred facility costs during the period ended March 31, 2014 of $101 (March 31, 2013 – $101) for the rental of a building owned by Broda Holdings (2009) Inc., a company owned by the president of Broda, a wholly owned subsidiary of the Corporation. At March 31, 2014, $29 is included in trade payables (March 31, 2013 - $29).

16. CONTINGENCIES, COMMITMENTS AND GUARANTEES

The Corporation has made various donations in support of local communities. Over the next three years, the Corporation has committed to pay $1,605, of which $1,460 is to be paid out in the upcoming 12 month period.

The Corporation has provided several letters of credit in the amount of $3,589 in connection with various projects and joint arrangements (December 31, 2013 - $5,059), of which $nil are financial letters of credit (December 31, 2013 - $nil).

The Corporation recorded a $740 provision related to an onerous lease agreement during the period ended March 31, 2014. This provision is included in administrative costs in the condensed consolidated statement of loss.

17. EVENTS AFTER THE REPORTING PERIOD

On May 6, 2014, the Corporation'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 July 15, 2014 to shareholders of record on June 30, 2014.

In April 2014, the Corporation issued BRSUs, RSUs, and PSUs. The number of units issued for each respective type of award was 159,223, 256,346, and 211,332 at a fair value at grant date of $10.79. The performance criteria and vesting conditions for the units granted in April 2014 are the same as those described in Note 3(f)(iii) and Note 27(a) of the audited annual consolidated financial statements for the year ended December 31, 2013.

Corporate & Shareholder Information

Officers

David LeMay, MBA
President and Chief Executive Officer

Daryl Sands, B.Comm., CA
Executive Vice President, Finance and Chief Financial Officer

Allan Tarasuk, P.Eng., STS
President and Chief Operating Officer
Churchill Services Group

Al Miller
President
Canem Systems Ltd.

Gord Broda
President and Chief Operating Officer
Broda Construction Inc.

Joette Decore, BSc., MBA
Vice President, Strategy and Corporate Development

Amy Gaucher, B.Comm., CA
Vice President, Finance and Administration

Evan Johnston, L.L.B., CFA
Vice President, General Counsel and Corporate Secretary

Directors

Albrecht W.A. Bellstedt, B.A., J.D., Q.C.
Chair

Richard T. Ballantyne, P. Eng. (1) (4)

Rod Graham, CFA, MBA (1) (4)

Wendy L. Hanrahan, CA (1) (2)

Harry A. King, B.A., CA (1) (3)

Carmen R. Loberg (2) (4)

Allister J. McPherson, B.Sc., M.Sc. (1) (3)

Ian M. Reid, B.Comm. (2) (3)

George M. Schneider (2) (4)

Brian W. L. Tod, B.A., LL.B., Q.C. (2) (3)

(1) Member of the Audit Committee

(2) Member of the Human Resources & Compensation Committee

(3) Member of the Corporate Governance & Nominating Committee

(4) Member of the Health, Safety and Environment Committee

Executive Offices

400, 4954 Richard Road SW
Calgary, AB T3E 6L1
Phone: (403) 685-7777
Fax: (403) 685-7770
Email: inquiries@churchill-cuq.com
Website: www.churchillcorporation.com

Auditors

Deloitte LLP
Edmonton, Alberta

Principal Bank

HSBC Bank Canada

Bonding and Insurance

Aon Reed Stenhouse Inc.
Federal Insurance Company
Liberty Mutual Insurance Company

Registrars and Transfer Agents

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

Common Shares:

CST Trust Company
600 The Dome Tower
333 – 7th Avenue SW
Calgary, Alberta T2P 2Z1
Phone: 403 776-3900
Fax: 403 776-3916
Email: inquiries@canstockta.com
Website: www.canstockta.com
Answerline: 1-800-387-0825

Convertible Debentures:

Valiant Trust Company
Suite 310, 606 – 4th Street SW
Calgary, Alberta T2P 1T1
Phone: 403 233-2801
Fax: 403 233-2857
Email: inquiries@valianttrust.com
Website: www.valianttrust.com
Toll-free: 1-866-313-1872

Notice of Annual Meeting

The Annual General Meeting will be held on May 22, 2014 at 2:00 pm
at the Metropolitan Centre, 333-4 Avenue SW, Calgary, Alberta.

the

Churchill

Corporation

400, 4954 Richard Road
Calgary, Alberta T3E 6L1
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