

THE CHURCHILL CORPORATION

**For immediate release
Friday, August 6, 2004**

CHURCHILL REPORTS SECOND QUARTER RESULTS

The Churchill Corporation reports financial results for the second quarter of 2004. A net loss of \$0.2 million was incurred on revenues of \$77.3 million for the quarter, compared to a net loss of \$2.4 million on revenues of \$77.2 million during the second quarter of 2003.

“We had expected that the first two quarters of 2004 would be a challenge, with gradual improvement in the second quarter and more significant improvement in the last half of the year”, said Gary Bardell, Churchill President and Chief Executive Officer. “At the end of the second quarter we completed the construction of our new modular fabrication facility near Edmonton. Oil sands projects are increasingly utilizing off-site fabrication of process modules that are then transported to the jobsite and assembled. Our new facility has enabled Churchill’s industrial companies to move strongly into this market. Triton has several contracts in place and is already into full production on this fabrication work, which will positively impact our earnings in the third quarter.”

“Stuart Olson achieved operational earnings of \$0.2 million during the second quarter. This improvement over the first quarter was due to higher revenue and substantially improved contract margins. As well, their work-in-hand increased as the market in western Canada improved in both the commercial and institutional building construction sectors. Our insulation businesses also had an excellent quarter with operational earnings of \$1.0 million. Although the other segments of our industrial businesses were not as successful from an earnings standpoint, we believe that the work they secured will show positive results in the third quarter.”

“We continue to believe that the latter half of the year will provide substantial improvements to both our revenue and earnings. The awaited increase in activity in the Oil Sands projects is now moving into construction and we are starting to experience the positive benefits of the improved market conditions. The new fabrication facility will provide us with an exciting new dimension to our service offerings and enhance our earnings potential.”

Key Results of the Second Quarter include:

- Revenue was \$77.3 million compared to \$77.2 million during the second quarter of 2003.
- Net loss was \$0.2 million (\$0.01 net loss per Common Share) compared to a net loss of \$2.4 million (\$0.21 net loss per Common Share) during the second quarter of 2003.

- An additional \$125.9 million of work was awarded to Churchill during the quarter, resulting in work-in-hand of \$ 347.0 million on June 30, 2004, up \$48.6 million, or 16.3% from \$298.4 million on March 31, 2004.

On June 30, 2004, Churchill had 12,223,352 Common Shares issued and outstanding.

RESULTS OF OPERATIONS

For the three months ended June 30, 2004, Churchill incurred a net loss of \$0.2 million (2003 – net loss of \$2.4 million) on revenues of \$77.3 million (2003 – \$77.2 million), or a net loss per Common Share of \$0.01 (2003 – net loss per Common Share of \$0.21).

For the six months ended June 30, 2004, Churchill incurred a net loss of \$1.5 million (2003 – net loss of \$4.2 million) on revenues of \$150.2 million (2003 - \$139.4 million), or a net loss per Common Share of \$0.12 (2003 – net loss per Common Share of \$0.37).

The June 30, 2004 results include the activities of Laird Electric for the full period, while the June 30, 2003 results include the activities of Laird from February 8, 2003 to June 30, 2003.

The June 30, 2003 results were impacted by a \$3.0 million bad debt allowance, which was subsequently recovered in the third quarter of 2003.

Churchill's 41% interest in the Lafrentz Road Services business was sold in the first quarter of 2003. Churchill realized \$1.5 million in proceeds from the sale and recognized a \$0.1 million gain in the quarter ended March 31, 2003.

Buildings

Stuart Olson had work-in-hand of \$248.2 million at March 31, 2004. For the three months ended June 30, 2004 they secured a further \$72.0 million of contracts, and executed and took into revenue \$59.9 million. The company had \$260.3 million of work-in-hand at June 30, 2004, of which \$138.9 million is expected to carry over into 2005.

Stuart Olson's revenues for the three months ended June 30, 2004 were \$59.9 million, up substantially from \$47.7 million for the same period last year as projects that had been delayed moved into construction. After adjusting for the \$3.0 million provision for bad debts that was established at June 30, 2003, Earnings before Taxes improved by \$0.6 million in the second quarter of 2004 as compared to the same period of 2003. The improvement was the result of higher revenues and improved contract income margin percentages.

For the six months ended June 30, 2004 Stuart Olson realized a Loss before Income Taxes of \$0.3 million on Contract Revenue of \$115.7 million, compared to a Loss before

Income Taxes of \$4.5 million on Contract Revenue of \$88.0 million for the six months to June 30, 2003.

Industrial General Contracting

Triton had work-in-hand of \$16.6 million at March 31, 2004. For the three months ended June 30, 2004 they secured a further \$23.2 million of contracts, and executed and took into revenue \$6.6 million. The company had \$33.2 million of work-in-hand at June 30, 2004, of which \$12.0 million is expected to carry over into 2005.

Triton's revenues for the three months ended June 30, 2004 were \$6.6 million, down from \$8.9 million for the three months ended June 30, 2003. Triton's Loss before Income Taxes for the three months ended June 30, 2004 was \$0.1 million, compared to a Loss before Income Taxes of \$0.9 million for the same period last year. The earnings for the three month period, after adjusting for \$1.0 million of restructuring-related expenses incurred in the second quarter of 2003 that did not repeat in 2004, are essentially unchanged on lower revenues, indicating that contract income margin percentages improved.

For the six months ended June 30, 2004 Triton realized a Loss before Income Taxes of \$0.8 million on Contract Revenue of \$10.6 million, compared to a Loss before Income Taxes of \$2.0 million on Contract Revenue of \$18.3 million for the six months to June 30, 2003.

Industrial Insulation Contracting

Fuller Austin and Northern Industrial Insulation had a combined work-in-hand of \$10.6 million at March 31, 2004. For the three months ended June 30, 2004 they secured a further \$7.7 million of contracts, and executed and took into revenue \$7.8 million. The company had \$10.5 million of work-in-hand at June 30, 2004, of which \$0.9 million is expected to carry over into 2005.

Revenues for the three months ended June 30, 2004 declined \$4.7 million, to \$7.8 million, compared to revenues of \$12.5 million for the three months ended June 30, 2003. Activity levels throughout western Canada declined from levels of a year ago. Earnings before Tax were \$1.0 million for the three months ended June 30, 2004, up from \$0.7 million for the same period last year due to improved contract income margin percentages.

For the six months ended June 30, 2004 the insulation companies realized Earnings before Tax of \$1.3 million on Contract Revenue of \$16.7 million, compared to Earnings before Tax of \$0.6 million on Contract Revenue of \$20.4 million for the six months to June 30, 2003.

Industrial Electrical Contracting

Laird Electric had work-in-hand of \$23.0 million at March 31, 2004. For the three months ended June 30, 2004 they secured a further \$26.0 million of contracts, and executed and took into revenue \$6.0 million. The company had \$43.0 million of work-in-hand at June 30, 2004, of which \$26.9 million is expected to carry over into 2005.

For the three months ended June 30, 2004, Laird's revenues were \$6.0 million, as compared to \$9.1 million for the same period last year. Revenues in the second quarter of 2003 included revenues from a major shutdown project that did not re-occur in 2004. As a result of lower revenues, Laird realized a Loss before Income Tax of \$0.4 million for the three months ended June 30, 2004, compared to Earnings before Tax of \$0.5 million for the same period last year.

For the six months ended June 30, 2004 Laird incurred a Loss before Tax of \$0.6 million on Contract Revenue of \$11.1 million, compared to Earnings before Tax of \$0.7 million on Contract Income of \$14.3 million for the six months ended June 30, 2003.

Corporate and Other

For the three months ended June 30, 2004, the Corporate and Other segment incurred \$0.7 million of indirect and administrative expenses and \$0.1 million of interest and other costs, as compared to \$0.6 million of indirect and administrative expenses and \$0.2 million of interest and other costs incurred for the three months ended June 30, 2003.

For the six months ended June 30, 2004, the Corporate and Other segment incurred \$1.3 million of indirect and administrative expenses and \$0.2 million of interest and other costs, as compared to \$1.3 million of indirect and administrative expenses and \$0.2 million of interest and other costs for the six months ended June 30, 2003. The current year's costs include \$0.1 million associated with preparing to meet the new public company certification requirements that were introduced in the first quarter of 2004.

Churchill's working capital position at June 30, 2004 was \$13.0 million, down \$2.2 million from March 31, 2004 and down \$4.6 million from December 31, 2003. The \$2.2 million reduction of working capital during the second quarter of 2004 was the result of incurring an operating loss of \$0.2 million in the quarter, spending \$2.9 million on capital expenditures and repaying \$0.4 million in debt, offset by proceeds from the exercise of share options of \$0.5 million and \$0.8 million of other items.

Capital expenditures for the three months ended June 30, 2004 were \$2.9 million, bringing total capital expenditures to \$4.6 million for the six month period ended June 30, 2004. The Corporation's new modular fabrication facility began production at the end of June, 2004. Approximately \$1.0 million was spent on this facility in the first quarter of 2004, while \$2.6 million was spent in the second quarter. It is expected that

an additional \$3.6 million of costs will be recorded in the remainder of 2004 relating to this new facility. The remaining \$0.3 million of capital expenditures in the three month period ended June 30, 2004 were primarily to replace portions of the vehicle fleet and upgrade certain computer hardware.

The Corporation paid \$0.4 million of long-term debt in the second quarter in accordance with the repayment schedule.

Churchill expects to complete a transaction before September 30, 2004 with its existing lenders to raise an additional \$4.0 million of long-term debt as financing on the new modular fabrication facility, as well as utilize up to \$1.5 million of the existing equipment financing facility available from its lender. Proceeds will be used to replenish working capital. Churchill continues to have an unused general operating line of credit.

Shareholders' equity was \$29.5 million at June 30, 2004, as compared to \$29.2 million at March 31, 2004 and \$30.5 million at December 31, 2003. Share capital increased \$0.5 million in the second quarter of 2004 as a result of 367,000 share options being exercised in the quarter. There were no purchases under the Normal Course Issuer Bid during the second quarter of 2004. Contributed surplus increased twenty five thousand dollars during the three months ended June 30, 2004 as a result of applying the new accounting principle related to stock-based compensation. Retained earnings declined during the second quarter, from \$20.1 million at March 31, 2004 to \$19.9 million at June 30, 2004, reflecting the \$0.2 million loss for the quarter.

As at June 30, 2004 the Corporation had outstanding 12,223,352 Common Shares and 679,334 options convertible into Common Shares (December 31, 2003 – 11,863,652 Common Shares and 1,046,334 options).

During the period July 1, 2004 to July 28, 2004, no options were issued or exercised, and no Common Shares were issued or purchased.

FORWARD-LOOKING STATEMENTS

Certain statements in this press release and attachments may constitute "forward-looking statements". Although Churchill management believes its expectations are based upon reasonable assumptions, it can give no assurance its expectations will be achieved. Such forward-looking statements involve risk, uncertainties and other factors which may cause the actual results, performance or achievements of Churchill to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

THE CHURCHILL CORPORATION

CONSOLIDATED BALANCE SHEETS

(\$ thousands)	June 30, 2004 (Unaudited)	December 31 2003 (Audited)	June 30, 2003 (Unaudited)
ASSETS			
Current Assets			
Cash	\$ 20,941	\$ 14,622	\$ 14,102
Accounts receivable	61,107	67,513	65,291
Inventories and prepaid expenses	2,487	1,410	2,292
Properties for sale	103	103	103
Income taxes recoverable	953	-	552
Current portion of agreement receivable	-	138	101
	85,591	83,786	82,441
Agreements receivable	-	-	33
Future income tax assets	376	376	327
Property and equipment	12,818	9,568	9,361
Intangible assets	522	784	1,222
Goodwill	8,315	8,315	8,263
	\$ 107,622	\$ 102,829	\$ 101,647
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 56,914	\$ 50,949	\$ 48,963
Contract advances and unearned income	13,834	11,454	13,767
Income taxes payable	-	1,105	-
Future income tax liabilities	-	858	-
Current portion of long-term debt	1,886	1,864	1,906
	72,634	66,230	64,636
Long-term debt	4,994	5,635	6,538
Future income tax liabilities	483	483	734
	78,111	72,348	71,908
SHAREHOLDERS' EQUITY			
Share capital	4,265	3,794	3,624
Contributed surplus	5,354	5,128	5,128
Retained earnings	19,892	21,559	20,987
	29,511	30,481	29,739
	\$ 107,622	\$ 102,829	\$ 101,647

THE CHURCHILL CORPORATION

CONSOLIDATED STATEMENTS OF LOSS

(\$ thousands, except per share amounts)	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)	
	2004	2003	2004	2003
Contract revenue	\$ 77,339	\$ 77,202	\$ 150,168	\$ 139,379
Contract costs	71,166	71,177	139,475	130,423
Contract income	6,173	6,025	10,693	8,956
Interest income	96	111	220	216
Sundry income	149	89	211	198
Indirect and administrative expenses	(5,866)	(6,181)	(11,503)	(11,427)
Bad debt recovery (expense)	52	(3,002)	52	(3,003)
Depreciation and amortization	(728)	(826)	(1,509)	(1,521)
Interest expense	(126)	(137)	(241)	(263)
Loss before income taxes	(250)	(3,921)	(2,077)	(6,844)
Income tax recovery	23	1,509	601	2,599
Net loss	\$ (227)	\$ (2,412)	\$ (1,476)	\$ (4,245)
Net loss per common share				
Basic	\$ (0.01)	\$ (0.21)	\$ (0.12)	\$ (0.37)
Fully diluted	\$ (0.01)	\$ (0.21)	\$ (0.12)	\$ (0.37)

THE CHURCHILL CORPORATION

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(\$ thousands)	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)	
	2004	2003	2004	2003
Retained earnings, beginning of period	\$ 20,119	\$ 23,420	\$ 21,559	\$ 25,253
Stock-based compensation	-	-	(176)	-
Retained earnings, beginning of period, restated	20,119	23,420	21,383	25,253
Net loss	(227)	(2,412)	(1,476)	(4,245)
Share redemption in excess of stated capital	-	(21)	(15)	(21)
Retained earnings, end of period	\$ 19,892	\$ 20,987	\$ 19,892	\$ 20,987

THE CHURCHILL CORPORATION

CONSOLIDATED STATEMENTS OF NET CASH FLOW

(\$ thousands)	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)	
	2004	2003	2004	2003
OPERATING ACTIVITIES				
Net loss	\$ (227)	\$ (2,412)	\$ (1,476)	\$ (4,245)
Non-cash items				
Net loss of affiliate	-	-	-	(80)
Depreciation and amortization	728	826	1,509	1,521
Gain on disposal of property and equipment	(50)	(8)	(56)	(11)
Future income taxes	1	-	(858)	(5,732)
Stock-based compensation	25	-	50	-
	477	(1,594)	(831)	(8,547)
Net change in accounts receivable, inventories and prepaid expenses	(1,210)	(1,524)	5,329	11,145
Net change in accounts payable, contract advances and unearned income	4,301	5,072	8,345	(166)
Net change in income taxes payable/recoverable	1,512	(1,764)	(2,058)	1,966
	5,080	190	10,785	4,398
INVESTING ACTIVITIES				
Proceeds from agreement receivable	-	76	138	128
Proceeds on disposal of property and equipment	93	72	112	75
Distributions from equity investee	-	-	-	1,496
Acquisition of subsidiary	-	-	-	(13,165)
Acquisition of property and equipment	(2,906)	(527)	(4,553)	(769)
	(2,813)	(379)	(4,303)	(12,235)
FINANCING ACTIVITIES				
Issuance of long-term debt	-	529	222	8,529
Repayment of long-term debt	(371)	(170)	(841)	(763)
Issuance of common shares	474	78	474	104
Redemption of common shares	-	(24)	(18)	(24)
	103	413	(163)	7,846
Increase in cash	2,370	224	6,319	9
Net cash, beginning of period	18,571	13,878	14,622	14,093
Net cash, end of period	\$ 20,941	\$ 14,102	\$ 20,941	\$ 14,102

The Churchill Corporation provides building construction, industrial construction and maintenance services throughout western Canada. Churchill shares are listed on The Toronto Stock Exchange under the symbol "CUQ".

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The Churchill Corporation

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