

THE CHURCHILL CORPORATION

**For immediate release
Tuesday, May 10, 2005**

CHURCHILL REPORTS FIRST QUARTER RESULTS

The Churchill Corporation reports financial results for the first quarter of 2005. A net loss of \$0.2 million was incurred on revenue of \$101.6 million for the quarter, compared to a net loss of \$1.2 million on revenue of \$72.8 million during the first quarter of 2004.

“Although our financial results are not yet where we want them to be, we are encouraged by the significant improvement over the last quarter and over the same period in 2004”, said Hank Reid, Churchill Interim President and Chief Executive Officer. “We are making progress in solving our fabrication plant operational issues. Our industrial businesses have secured a significant amount of new work and their backlog of work-in-hand is at record levels as oil sands construction activity accelerates. The recently announced Alberta Government budget for infrastructure expenditures together with the improving B.C. economy, buoyed by the 2010 Olympics, will provide significant opportunities for Stuart Olson.”

“We are pleased that J. Norman (Norm) Rokosh, MBA, P.Eng., has been appointed President and Chief Executive Officer of Churchill and will assume this position in mid-May. He has a strong financial background as well as significant operating experience, having worked for large construction and engineering companies both in Canada and internationally.”

“Churchill is also making significant progress in our planned capital restructuring program. On April 19, 2005 we announced an agreement to complete a \$10.6 million equity financing subject to shareholder approval at Churchill’s Annual Meeting in May. This additional working capital will allow us to take advantage of the many new opportunities in our various markets.”

In conjunction with the restructuring of Churchill’s senior management team, Bruce Rintoul, Vice President Industrial and the CEO of Triton, left the Corporation in April.

Key Results of the First Quarter include:

- Revenue was \$101.6 million compared to \$72.8 million during the first quarter of 2004.
- Net loss was \$0.2 million (\$0.02 net loss per Common Share) compared to a net loss of \$1.2 million (\$0.11 net loss per Common Share) during the first quarter of 2004.

- An additional \$150.5 million of work was awarded to Churchill during the quarter, resulting in work-in-hand of \$ 299.8 million on March 31, 2005, up \$48.3 million, or 19.2% from \$251.5 million on December 31, 2004.

On March 31, 2005, Churchill had 12,271,686 Common Shares issued and outstanding.

RESULTS OF OPERATIONS

For the three months ended March 31, 2005, Churchill incurred a net loss of \$0.2 million (2004 – net loss of \$1.2 million) on revenue of \$101.6 million (2004 – \$72.8 million), or a net loss per Common Share of \$0.02 (2004 – net loss per Common Share of \$0.11). Management had forecast this loss, as the turn-around in profitability due to process improvements was expected to take several quarters to implement.

Buildings

Stuart Olson had work-in-hand of \$139.6 million at December 31, 2004. For the three months ended March 31, 2005 the company secured a further \$42.1 million of contracts, and executed and took into revenue \$55.7 million. The company had \$126.0 million of work-in-hand at March 31, 2005, of which \$5.9 million is expected to carry over into 2006.

Stuart Olson's revenue for the three months ended March 31, 2005 was \$55.7 million, the same revenue as the first quarter of 2004. Earnings before taxes improved considerably to \$0.5 million in the first quarter of 2005 as compared to a loss of \$0.5 million in the same period of 2004. The improvement was the result of higher margin work secured over the last year that has moved into the construction phase and was recognized as revenue in the quarter. The company is experiencing improvements in its primary markets as client expenditures for new buildings continue to increase in Alberta and British Columbia.

Industrial General Contracting

Triton had work-in-hand of \$45.6 million at December 31, 2004. For the three months ended March 31, 2005 the company secured a further \$17.8 million of contracts, and executed \$18.5 million. The company had \$44.9 million of work-in-hand at March 31, 2005, of which \$7.0 million is expected to carry over into 2006.

Triton's revenue for the three months ended March 31, 2005 was \$18.5 million, up significantly from \$4.1 million for the three months ended March 31, 2004. Triton's earnings before taxes for the three months ended March 31, 2005 were \$0.1 million, compared to a loss before taxes of \$0.7 million for the same period last year. Although the company's revenue was higher, lower contract margins and higher overhead costs associated with the modular fabrication facility caused relatively low earnings for the

quarter. Progress was made during the quarter on systems and procedures in the fabrication plant resulting in improved productivity. Planned restrictions in the level of through-put continue to be in effect, however, until management is satisfied that desired results have been achieved.

Industrial Insulation Contracting

Fuller Austin and Northern Industrial Insulation had a combined work-in-hand of \$22.2 million at December 31, 2004. For the three months ended March 31, 2005 they secured a further \$9.1 million of contracts, and executed \$11.4 million. The companies had \$19.9 million of work-in-hand at March 31, 2005, of which \$0.3 million is expected to carry over into 2006.

Revenue for the three months ended March 31, 2005 increased to \$11.4 million, compared to \$8.9 million for the three months ended March 31, 2004. Loss before taxes was \$0.3 million for the three months ended March 31, 2005, compared to earnings before taxes of \$0.3 million for the same period last year. While revenue increased, contract income margin percentages decreased on a year-over-year basis for the period. It was expected that Fuller Austin's new large oil sands contracts would be at lower contract margins, although the company had been anticipating much higher revenue from these projects during the quarter. Due to unforeseen client generated delays, the company was slower in mobilizing on-site and, as such, activity has shifted to subsequent quarters.

Industrial Electrical Contracting

Laird had work-in-hand of \$44.1 million at December 31, 2004. For the three months ended March 31, 2005 the company secured a further \$81.6 million of contracts, and executed \$16.6 million. The company had \$109.1 million of work-in-hand at March 31, 2005, of which \$44.2 million is expected to carry over into 2006 and beyond. This is the highest level of work-in-hand in the company's history, indicating significant improvement in the market available to Laird.

For the three months ended March 31, 2005, Laird's revenue was \$16.6 million, up significantly from \$5.1 million for the same period last year. In the third quarter of 2004, Laird's major customer in Fort McMurray deferred its maintenance program to the first quarter of 2005. As well, Laird was awarded a large contract in January 2005 for this same client for work that started immediately and is scheduled for completion this year. Laird achieved earnings before taxes of \$0.2 million for the three months ended March 31, 2005, compared to a loss before taxes of \$0.2 million for the same period last year. Contract margins were lower than expected during the quarter due to the carryover of a less profitable project from 2004 that has now been completed, as well as mobilizing inefficiencies causing higher labour and equipment costs on the start-up of the new large contracts. These effects are expected to lessen in future reporting periods.

Corporate and Other

For the three months ended March 31, 2005, the Corporate and Other segment incurred \$1.0 million of indirect and administrative expenses including net interest costs, as compared to \$0.7 million for the three months ended March 31, 2004. The increase in the indirect and administrative expenses was primarily related to the cost of consultants and the Special Committee of the Board of Directors. These additional costs include the review and design of process improvements of the industrial operations and the fabrication plant, as well as sourcing new capital for the Corporation.

Non-core property was sold during the quarter for \$0.3 million resulting in a net gain over book value of \$0.2 million.

CASH FLOW, FINANCING, CAPITAL REQUIREMENTS, LIQUIDITY

The Corporation's working capital position at March 31, 2005 was \$3.4 million, down \$11.8 million from March 31, 2004 and an increase of \$0.4 million from December 31, 2004. The \$11.8 million reduction of working capital on a year-over-year basis was primarily as a result of a reclassification of a portion of long-term debt to current liabilities as well as operational losses and capital expenditures on the new modular fabrication facility in 2004.

At December 31, 2004, due to larger than expected fourth quarter losses, the Corporation was not in compliance with certain of its debt covenants. The lender was in a position to demand repayment of any balances outstanding under these facilities. As a result, \$6.6 million of long-term debt outstanding with the lender at December 31, 2004, which was not scheduled to be repaid in the next 12 months, was reclassified as a current liability. The Corporation monitors the financial covenants on a continuous basis.

Working capital increased by \$0.4 million during the quarter primarily due to net income before depreciation and amortization and the non-current portion of income tax expenses of \$0.9 million, offset in part by expenditures of \$0.5 million on additions to property and equipment.

Capital expenditures for the three months ended March 31, 2005 were \$0.5 million. Completion of the fabrication facility accounted for \$0.1 million, while the balance of expenditures were primarily to replace portions of the vehicle fleet and to upgrade certain computer hardware.

The Corporation repaid \$0.7 million of long-term debt during the quarter in accordance with the repayment schedules and the contractual obligations described in the 2004 Annual Report.

In order to increase the level of working capital, the Corporation is in the process of finalizing an arrangement for additional equity funding of \$10.6 million. A proposal will be presented to the Shareholders at the Annual Meeting on May 12, 2005. This proposal will include the issuance of 5,323,000 of new Common Shares at a price of

\$2.00 per share in a private placement. The \$2.00 share price was the closing market price of Churchill shares on April 15, 2005. This placement will consist of \$7.0 million (3,500,000 shares) subscribed by Matco Capital Ltd. ("Matco"), a private investment firm based in Calgary, Alberta and the balance of \$3.6 million (1,823,000 shares) subscribed by Peter Allard who currently owns approximately 14% of Churchill Common Shares. The details of this proposal are described in the Corporation's press release of April 19, 2005 as well as the Material Change Report filed with the TSX on April 22, 2005. As an interim measure, prior to obtaining shareholder approval, Matco has agreed to lend Churchill \$7.0 million, repayable not later than July 31, 2005. Upon obtaining shareholder approval, the loan will be converted into 3,500,000 Common Shares. If Churchill shareholders fail to approve the conversion, the loan will be repayable in full at maturity (July 31, 2005), together with accrued interest and a funding fee of \$100 thousand. Matco will have the right, commencing from the date of advance of the loan until maturity, to convert up to \$3.4 million of such loan into 1,677,000 Common Shares (being the same number of shares currently owned by Mr. Allard) reflecting a conversion price of \$2.00 per share. The loan will accrue interest at 9% per annum, calculated and paid monthly in arrears and will be secured by a promissory note and a general security agreement, subordinated to security granted to Churchill's bank and surety company. This interim convertible loan transaction was completed on April 25, 2005 and the \$7.0 million was advanced to Churchill.

This additional equity will improve the Corporation's working capital position and its ability to fund growth in its industrial businesses. It will also assist in increasing the Corporation's bonding capacity to enable it to take advantage of opportunities in the market.

Mr. Allard will be paid \$100 thousand (plus reasonable legal expenses) by Churchill in exchange for the termination of a subordinated debt facility dated February 17, 2005 between the Corporation and Mr. Allard.

The Corporation continues to be a partner in two joint ventures. In each instance the Corporation has provided a joint and several guarantee, increasing the maximum potential payment to the full value of the work remaining under the contract.

Shareholder's equity was \$24.7 million at March 31, 2005, as compared to \$24.9 million at December 31, 2004. There were no purchases under the Normal Course Issuer Bid during the first quarter of 2005. This Normal Course Issuer Bid expired on February 23, 2005 and the Corporation chose not to initiate a new one. Contributed surplus increased \$58 thousand during the three months ended March 31, 2005 as a result of the accrual of stock-based compensation. Retained earnings declined during the first quarter, from \$15.2 million at December 31, 2004 to \$15.0 million at March 31, 2005, reflecting the \$0.2 million net loss for the quarter.

The Corporation had 12,271,686 Common Shares outstanding as at March 31, 2005 and April 28, 2005 (December 31, 2004 – 12,238,352 Common Shares).

During the period April 1, 2005 to April 28, 2005, 100,000 options were cancelled. Also during this period, 100,000 new options were committed to the incoming President and CEO at an exercise price to be set at the market price when he assumes this position with the Corporation and the options are thereby granted. There were 531,000 options convertible to Common Shares outstanding as at March 31, 2005 and April 28, 2005.

THE CHURCHILL CORPORATION

Consolidated Balance Sheets (Unaudited)

(\$ thousands)	March 31 2005	December 31 2004	March 31 2004
ASSETS			
Current assets			
Cash and equivalents	\$ 7,114	\$ 11,719	\$ 18,571
Term deposit	4,000	4,000	-
Accounts receivable	89,136	77,325	60,036
Inventories and prepaid expenses	2,794	1,663	2,348
Properties for sale	1	103	103
Income taxes recoverable	2,508	954	2,465
Future income tax assets	945	1,921	-
	106,498	97,685	83,523
Future income tax assets	470	549	377
Property and equipment	15,416	15,528	10,596
Intangible assets	173	231	609
Refundable deposit	1,000	1,000	1,000
Goodwill	7,315	7,315	7,315
	\$ 130,872	\$ 122,308	\$ 103,420
LIABILITIES			
Current liabilities			
Bank indebtedness	\$ 7,795	\$ -	\$ -
Accounts payable	69,616	67,363	52,669
Contract advances and unearned income	16,901	17,937	13,778
Current portion of long-term debt	8,777	9,358	1,894
	103,089	94,658	68,341
Long-term debt	1,764	1,849	5,357
Future income tax liabilities	1,289	935	483
	106,142	97,442	74,181
SHAREHOLDERS' EQUITY			
Share capital	4,333	4,289	3,791
Contributed surplus	5,436	5,378	5,329
Retained earnings	14,961	15,199	20,119
	24,730	24,866	29,239
	\$ 130,872	\$ 122,308	\$ 103,420

THE CHURCHILL CORPORATION

Consolidated Statements of Loss

Three months ended March 31 (Unaudited)		
(\$ thousands, except per share amounts)	2005	2004
Contract revenue	\$ 101,614	\$ 72,829
Contract costs	94,355	68,309
Contract income	7,259	4,520
Interest income	89	124
Sundry income	290	62
Indirect and administrative expenses	(7,176)	(5,637)
Depreciation and amortization	(670)	(781)
Interest expense	(175)	(115)
Loss before income taxes	(383)	(1,827)
Income tax recovery (expense):		
Current income tax	1,554	(281)
Future income tax	(1,409)	859
	145	578
Net loss	\$ (238)	\$ (1,249)
Net loss per common share		
Basic and fully diluted	\$ (0.02)	\$ (0.11)

Consolidated Statements of Retained Earnings

Three months ended March 31 (Unaudited)		
(\$ thousands)	2005	2004
Retained earnings, beginning of period	\$ 15,199	\$ 21,383
Net loss	(238)	(1,249)
Share redemption in excess of stated capital	-	(15)
Retained earnings, end of period	\$ 14,961	\$ 20,119

THE CHURCHILL CORPORATION

Consolidated Statements of Net Cash Flow

Three months ended March 31 (Unaudited)

(\$ thousands)	2005	2004
OPERATING ACTIVITIES		
Net loss	\$ (238)	\$ (1,249)
Non-cash items		
Depreciation and amortization	670	781
Gain on disposal of property for sale	(210)	-
Loss (gain) on disposal of equipment	2	(6)
Future income taxes	1,409	(859)
Stock-based compensation	58	25
	1,691	(1,308)
Net change in accounts receivable, inventories and prepaid expenses	(12,942)	6,539
Net change in accounts payable, contract advances and unearned income	1,217	4,044
Net change in income taxes payable	(1,554)	(3,570)
	(11,588)	5,705
INVESTING ACTIVITIES		
Proceeds from agreement receivable	-	138
Proceeds on disposal of property for sale	312	-
Proceeds on disposal of equipment	1	19
Additions to property and equipment	(503)	(1,647)
	(190)	(1,490)
FINANCING ACTIVITIES		
Issuance of long-term debt	18	222
Repayment of long-term debt	(684)	(470)
Issuance of common shares	44	-
Redemption of common shares	-	(18)
	(622)	(266)
(Decrease) increase in cash	(12,400)	3,949
Net cash, beginning of period	11,719	14,622
Bank indebtedness (net cash), end of period	\$ (681)	\$ 18,571
Bank indebtedness (net cash) is comprised of:		
Cash	\$ 7,114	\$ 18,571
Bank indebtedness	(7,795)	-
	\$ (681)	\$ 18,571

TERMINOLOGY

Throughout this Press Release, and other documents referred to, management uses the following term which does not have any standardized meaning under Canadian GAAP as set out in the CICA Handbook. Specifically, the term “work-in-hand” has been defined as -

Work-in-hand is the unexecuted portion of work that has been contractually awarded to the Corporation. It includes contracts that have been awarded but not yet commenced construction, as well as an estimate of the revenue to be generated from maintenance contracts during the shorter of (a) the next two years, or (b) the remaining life of the contract.

FORWARD-LOOKING STATEMENTS

Certain statements in this First Quarter Report may constitute “forward-looking statements”. Although management of the Corporation believes its expectations regarding future performance of the Corporation are based on reasonable assumptions and currently available financial and economic data, market conditions and operating plans, it can give no assurance that its expectations will be achieved. Such forward-looking statements involve risk, uncertainties and other factors that might cause the actual results, performance or achievements of the Corporation to vary significantly from any future results, performances or achievements expressed or implied in any forward-looking statements.

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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