

THE CHURCHILL CORPORATION

**For immediate release
Monday, August 8, 2005**

CHURCHILL REPORTS SECOND QUARTER RESULTS

The Churchill Corporation reports financial results for the second quarter of 2005. Net earnings were \$1.1 million on revenue of \$118.8 million for the quarter, compared to a net loss of \$0.2 million on revenue of \$77.4 million during the second quarter of 2004.

“We are encouraged by both the improvements in our operational performance as well as the market opportunities before us. Churchill is making progress in our return to profitability”, said Norm Rokosh, Churchill’s President and Chief Executive Officer. “All of our operating companies were profitable in the quarter with the exception of our insulation companies, which had earnings at approximately a breakeven level. Laird Electric and Triton both had improved earnings on significantly increased revenue. Our insulation companies, Fuller Austin and Northern Industrial, were hampered by delays in start-up on several large projects but have substantial work-in-hand that will generate earnings for the balance of the year. Stuart Olson continues to secure work and maintain profitability. Oil sands construction and the spin-off economic activity are generating considerable opportunities for all of our companies.”

“We have made considerable progress in our planned capital restructuring program. At Churchill’s Annual Meeting in May, the shareholders approved a \$10.6 million equity financing. This additional working capital has allowed us to take advantage of the many new opportunities in our markets as well as to finance the planned growth in our operations.”

Key Results of the Second Quarter include:

- Revenue was \$118.8 million compared to \$77.4 million during the second quarter of 2004.
- Net earnings were \$1.1 million (\$0.07 net earnings per Common Share) compared to a net loss of \$0.2 million (\$0.01 net loss per Common Share) during the second quarter of 2004.
- An additional \$113.8 million of work was awarded to Churchill during the quarter, resulting in work-in-hand of \$ 294.8 million on June 30, 2005, down \$5.0 million, or 1.7% from \$299.8 million on March 31, 2005.

On June 30, 2005, Churchill had 17,594,686 Common Shares issued and outstanding.

RESULTS OF OPERATIONS

For the three months ended June 30, 2005, Churchill realized net earnings of \$1.1 million (2004 – net loss of \$0.2 million) on revenue of \$118.8 million (2004 – \$77.4 million), or net earnings per Common Share of \$0.07 (2004 – net loss per Common Share of \$0.01). The increase in profitability in the second quarter, as compared to the same period in 2004, is a result of increased revenue, improvement in operational performance and income from the favourable resolution of a contractual issue on a fabrication project completed by Triton early in 2005.

For the six months ended June 30, 2005, Churchill realized net earnings of \$0.8 million (2004 – net loss of \$1.5 million) on revenue of \$220.4 million (2004 – \$150.2 million), or net earnings per Common Share of \$0.06 (2004 – net loss per Common Share of \$0.12).

Buildings

Stuart Olson had work-in-hand of \$126.0 million at March 31, 2005. For the three months ended June 30, 2005 the company secured a further \$99.4 million of contracts, and executed and took into revenue \$57.1 million. The company had \$168.3 million of work-in-hand at June 30, 2005, of which \$59.9 million is expected to carry over into 2006.

Stuart Olson's revenue for the three months ended June 30, 2005 was \$57.1 million, a similar level to the \$60.0 million generated for the same period in 2004. Earnings before taxes increased to \$0.5 million in the second quarter of 2005 from \$0.2 million in the second quarter 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. Higher revenue was expected in the second quarter of 2005, however, several large contracts which the company secured in 2005 experienced client-generated delays and have not yet moved into the construction phase.

For the six months ended June 30, 2005 Stuart Olson realized earnings before taxes of \$0.9 million on contract revenue of \$112.8 million, compared to a loss before taxes of \$0.3 million on revenue of \$115.7 million for the six months ended June 30, 2004. The company continues to experience improvements in its primary markets in Alberta and British Columbia, resulting in higher margin work.

Industrial General Contracting

Triton had work-in-hand of \$44.9 million at March 31, 2005. For the three months ended June 30, 2005 the company secured a further \$20.4 million of contracts, and executed \$26.4 million. Triton had \$38.9 million of work-in-hand at June 30, 2005, of which \$3.0 million is expected to carry over into 2006.

Triton's revenue for the three months ended June 30, 2005 was \$26.4 million, up significantly from \$6.6 million for the three months ended June 30, 2004. Triton's earnings before taxes for the three months ended June 30, 2005 were \$1.4 million,

compared to a loss before taxes of \$0.1 million for the same period last year. During the quarter the company resolved a contractual settlement on a fabrication contract completed early in 2005. Net earnings before taxes of \$1.3 million associated with this settlement were recognized in the company's second quarter earnings. While Triton made progress in its return to profitability during the quarter, much of this improvement was offset by increased overheads and consulting costs related to its operational restructuring. Progress was also made during the quarter on improving the systems and processes in the fabrication plant resulting in increased productivity. Planned restrictions in the level of activity at the plant continue to be in effect, although the company is looking to increase the plant through-put.

For the six months ended June 30, 2005, Triton realized earnings before taxes of \$1.5 million on contract revenue of \$44.9 million, compared to a loss before taxes of \$0.8 million on contract revenue of \$10.6 million for the six months to June 30, 2004. The large increase in revenue compared to the same period in 2004 is an indication of the improvement in the company's markets as more of the oil sands industrial projects have moved into the construction phase. Also \$9.7 million of revenue in the 2005 period was from projects executed in the fabrication plant.

Industrial Insulation Contracting

Fuller Austin and Northern Industrial Insulation had a combined work-in-hand of \$19.9 million at March 31, 2005. For the three months ended June 30, 2005 they secured a further \$8.2 million of contracts, and executed \$13.9 million. The companies had \$14.2 million of work-in-hand at June 30, 2005 which is all expected to be executed in 2005.

Revenue for the three months ended June 30, 2005 increased to \$13.9 million, compared to \$7.8 million for the three months ended June 30, 2004. Earnings were approximately at a breakeven level for the three months ended June 30, 2005, compared to earnings before taxes of \$1.0 million for the same period last year. While revenue increased in the second quarter, contract income margin percentages decreased, mainly as a result of lower margins realized on new large oil sands contracts that Fuller Austin commenced. The company had anticipated that revenue from these new contracts would be even higher in the quarter than the significant increase realized, therefore generating additional contract income. However, due to unforeseen client generated delays, the company was slower in mobilizing on-site. In addition, shortages in labour supply on several projects resulted in a slower than anticipated activity level in the quarter. The work remains in hand and has increased in size due to scope growth, although these events have caused activity to shift to the latter two quarters of 2005 and into 2006.

For the six months ended June 30, 2005 the insulation companies realized a loss before taxes of \$0.3 million on contract revenue of \$25.3 million, compared to earnings before taxes of \$1.3 million on revenue of \$16.7 million for the six months to June 30, 2004. As discussed above, lower contract margins were expected in 2005, however significantly higher revenue was expected to generate positive earnings. Delays in project start-up and site progress caused lower than expected revenue for the first half of the year and accordingly lower contract income.

Industrial Electrical Contracting

Laird had work-in-hand of \$109.1 million at March 31, 2005. For the three months ended June 30, 2005 the company executed \$22.4 million and reduced its work-in-hand by \$13.3 million in respect of contracts that have been postponed indefinitely. The company had \$73.4 million of work-in-hand at June 30, 2005, of which \$41.1 million is expected to carry over into 2006 and beyond. The contracts in hand, which were indefinitely postponed, related to cost reimbursable work. Laird will have the opportunity to regain this work when the clients proceed.

For the three months ended June 30, 2005, Laird's revenue was \$22.4 million, up significantly from \$6.0 million for the same period last year. This is one of the highest levels in its history. Laird achieved earnings before taxes of \$0.9 million for the three months ended June 30, 2005, compared to a loss before tax of \$0.4 million for the same period last year. Laird was awarded a large contract in January 2005 for its major client in Fort McMurray. This work substantially commenced in the second quarter and is expected to have a positive effect on earnings for the balance of 2005. As well, a major maintenance shutdown for this same client, which was deferred from 2004, was executed by Laird in the second quarter.

For the six months ended June 30, 2005 Laird realized earnings before taxes of \$1.1 million on contract revenue of \$39.0 million, compared to a loss before taxes of \$0.6 million on revenue of \$11.1 million for the six months to June 30, 2004. The majority of the company's revenue and work-in-hand for 2005 was generated from oil sands projects in its core Fort McMurray market. This is an indication of the escalation of work in that region which is expected to continue for a number of years. Maintenance work in the plants also accounted for a large percentage of Laird's revenue, exceeding 75% in the second quarter.

Corporate and Other

For the three months ended June 30, 2005, the Corporate and Other segment incurred \$1.1 million of indirect and administrative expenses including net interest costs, as compared to \$0.8 million for the three months ended June 30, 2004. The increase in the indirect and administrative expenses was primarily related to recruiting and severance costs for senior officer changes and costs associated with securing a significant equity investment in the Corporation.

For the six months ended June 30, 2005, the Corporate and Other segment incurred \$1.9 million of indirect and administrative expenses including net interest costs, as compared to \$1.5 million for the same period in 2004. The increase is primarily related to the above costs as well as 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, which primarily occurred in the first quarter. As the capital restructuring and fabrication plant review by the Special Committee is nearing completion, it is expected that these costs will lessen in future reporting periods.

CASH FLOW, FINANCING, CAPITAL REQUIREMENTS, LIQUIDITY

The Corporation's working capital position at June 30, 2005 was \$14.9 million, up from \$13.0 million at June 30, 2004 and a substantial increase from the \$3.4 million at March 31, 2005.

The low level of working capital at March 31, 2005 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 in 2004 with respect to the modular fabrication facility. 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 is 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. This reclassification was \$6.0 million in the first quarter and \$5.4 million in the second quarter of 2005. The Corporation monitors the financial covenants on a continuous basis.

Working capital increased by \$11.5 million during the quarter. This was primarily due to the issuance of \$10.6 million of new share capital as a result of a private placement. As well, Churchill had net earnings of \$1.1 million during the quarter.

Capital expenditures for the three months ended June 30, 2005 were \$1.2 million. Replacing and expanding the vehicle fleet accounted for \$0.9 million; upgrading computer equipment accounted for \$0.1 million, while the balance of expenditures was for miscellaneous construction equipment.

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 finalized an arrangement for additional equity funding of \$10.6 million on April 25, 2005, which arrangement was approved by the Shareholders at the Annual Meeting on May 12, 2005. This proposal included 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 consisted 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 had previously owned 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.

This additional equity substantially improved 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.

The Corporation completed an agreement with its bank to temporarily increase its operating line of credit from \$6.0 million to \$12.0 million. This increase, which is expected to reduce back to \$6.0 million by year-end, will assist in meeting the increased cash flow requirements of the larger industrial projects the Corporation has recently undertaken.

Mr. Allard was 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 \$36.5 million at June 30, 2005, as compared to \$24.7 million at March 31, 2005. Contributed surplus increased \$13 thousand during the three months ended June 30, 2005 as a result of the accrual of stock-based compensation. Retained earnings increased during the second quarter, from \$15.0 million at March 31, 2005 to \$16.0 million at June 30, 2005, reflecting the net earnings for the quarter.

The Corporation had 17,594,686 Common Shares outstanding as at June 30, 2005 (March 31, 2005 – 12,271,686 Common Shares). This increase of 5,323,000 Common Shares was due to the private placement to Matco Capital Ltd. and Peter Allard that occurred in the quarter.

During the quarter 100,000 new options were issued to the new President and CEO at an exercise price of \$2.40 and 50,000 new options were issued to the incoming Vice President Finance and Chief Financial Officer at an exercise price of \$2.55. Also during the quarter 100,000 options were cancelled. There were 581,000 options convertible to Common Shares outstanding as at June 30, 2005.

During the period from July 1 to July 27, 2005, options to acquire 40,000 Common Shares were exercised for cash. As at July 27, 2005, the Corporation has outstanding 17,634,686 Common Shares and 541,000 options convertible to Common Shares.

THE CHURCHILL CORPORATION

Consolidated Balance Sheets (Unaudited)

(\$ thousands)	June 30 2005	December 31 2004	June 30 2004
ASSETS			
Current assets			
Cash and equivalents	\$ 7,911	\$ 11,719	\$ 20,941
Term deposit	4,000	4,000	-
Accounts receivable	79,219	77,325	61,107
Inventories and prepaid expenses	2,815	1,663	2,487
Properties for sale	1	103	103
Income taxes recoverable	203	954	953
Future income tax assets	1,545	1,921	-
	95,694	97,685	85,591
Future income tax assets	3,540	549	376
Property and equipment	16,015	15,528	12,818
Intangible assets	115	231	522
Refundable deposit	1,000	1,000	1,000
Goodwill	7,315	7,315	7,315
	\$ 123,679	\$ 122,308	\$ 107,622
LIABILITIES			
Current liabilities			
Bank indebtedness	\$ 6,864	\$ -	\$ -
Accounts payable	57,737	67,363	56,914
Contract advances and unearned income	7,799	17,937	13,834
Current portion of long-term debt	8,364	9,358	1,886
	80,764	94,658	72,634
Long-term debt	2,405	1,849	4,994
Future income tax liabilities	4,037	935	483
	87,206	97,442	78,111
SHAREHOLDERS' EQUITY			
Share capital	14,979	4,289	4,265
Contributed surplus	5,449	5,378	5,354
Retained earnings	16,045	15,199	19,892
	36,473	24,866	29,511
	\$ 123,679	\$ 122,308	\$ 107,622

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Consolidated Statements of Earnings

(\$ thousands, except per share amounts)	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)	
	2005	2004	2005	2004
Contract revenue	\$ 118,818	\$ 77,391	220,432	\$ 150,220
Contract costs	108,367	71,166	202,722	139,475
Contract income	10,451	6,225	17,710	10,745
Interest income	76	96	165	220
Sundry income	20	149	310	211
Indirect and administrative expenses	(7,937)	(5,866)	(15,113)	(11,503)
Depreciation and amortization	(608)	(728)	(1,278)	(1,509)
Interest expense	(321)	(126)	(496)	(241)
Earnings (loss) before income taxes	1,681	(250)	1,298	(2,077)
Income tax recovery (expense):				
Current income tax	(1,519)	24	35	(257)
Future income tax	922	(1)	(487)	858
	(597)	23	(452)	601
Net earnings (loss)	\$ 1,084	\$ (227)	846	\$ (1,476)
Net earnings (loss) per common share				
Basic	\$ 0.07	\$ (0.01)	\$ 0.06	\$ (0.12)
Fully diluted	\$ 0.07	\$ (0.01)	\$ 0.06	\$ (0.12)

Consolidated Statements of Retained Earnings

(\$ thousands)	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)	
	2005	2004	2005	2004
Retained earnings, beginning of period	\$ 14,961	\$ 20,119	\$ 15,199	\$ 21,383
Net earnings (loss)	1,084	(227)	846	(1,476)
Share redemption in excess of stated capital	-	-	-	(15)
Retained earnings, end of period	\$ 16,045	\$ 19,892	\$ 16,045	\$ 19,892

THE CHURCHILL CORPORATION

Consolidated Statements of Net Cash Flow

(\$ thousands)	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)	
	2005	2004	2005	2004
OPERATING ACTIVITIES				
Net earnings (loss)	\$ 1,084	\$ (227)	\$ 846	\$ (1,476)
Non-cash items				
Depreciation and amortization	608	728	1,278	1,509
Gain on disposal of property for sale	-	-	(210)	-
Gain on disposal of equipment	(7)	(50)	(5)	(56)
Future income taxes	(922)	1	487	(858)
Stock-based compensation	13	25	71	50
	776	477	2,467	(831)
Net change in accounts receivable, inventories and prepaid expenses	9,896	(1,210)	(3,046)	5,329
Net change in accounts payable, contract advances and unearned income	(20,981)	4,301	(19,764)	8,345
Net change in income taxes payable	2,305	1,512	751	(2,058)
	(8,004)	5,080	(19,592)	10,785
INVESTING ACTIVITIES				
Proceeds from agreement receivable	-	-	-	138
Proceeds on disposal of property for sale	-	-	312	-
Proceeds on disposal of equipment	9	93	10	112
Additions to property and equipment	(1,151)	(2,906)	(1,654)	(4,553)
	(1,142)	(2,813)	(1,332)	(4,303)
FINANCING ACTIVITIES				
Issuance of short-term debt	7,000	-	7,000	-
Issuance of common shares	3,646	474	3,690	474
Issuance of long-term debt	971	-	989	222
Repayment of long-term debt	(743)	(371)	(1,427)	(841)
Redemption of common shares	-	-	-	(18)
	10,874	103	10,252	(163)
Increase (decrease) in cash	1,728	2,370	(10,672)	6,319
Net cash, beginning of period	(681)	18,571	11,719	14,622
Net cash, end of period	\$ 1,047	\$ 20,941	\$ 1,047	\$ 20,941
Net cash is comprised of:				
Cash	\$ 7,911	\$ 20,941	\$ 7,911	\$ 20,941
Bank indebtedness	(6,864)	-	(6,864)	-
	\$ 1,047	\$ 20,941	\$ 1,047	\$ 20,941

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 Second 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”.

For further information, please contact:
J. Norman (Norm) Rokosh, MBA, P.Eng.
President and Chief Executive Officer
The Churchill Corporation
(780) 454-3667
www.churchillcorporation.com