

THE CHURCHILL CORPORATION

**For immediate release
Friday, November 4, 2005**

CHURCHILL REPORTS THIRD QUARTER RESULTS

The Churchill Corporation reports financial results for the third quarter of 2005. Net earnings were \$1.3 million on revenue of \$120.6 million for the quarter, compared to a net loss of \$1.0 million on revenue of \$82.6 million during the third quarter of 2004. Net earnings were \$2.1 million on revenue of \$341.0 million for the nine months year-to-date, compared to a net loss of \$2.5 million on revenue of \$232.9 for the comparable period in 2004.

“We continue to be encouraged by the improvements in our operational results”, said Norm Rokosh, Churchill’s President and Chief Executive Officer. “Our earnings are not only markedly better than the same period in 2004 but are increasing as we progress through 2005. Fuller Austin and Northern Industrial had an excellent quarter as projects that were delayed earlier in the year have now proceeded into construction. Both Laird Electric and Stuart Olson continued with the strong performance experienced over the last few quarters with Laird sustaining the highest level of activity in its history. Triton is our only operating company with a loss for the quarter, although its results for the year to date show a profit and are significantly better than 2004. The restructuring of Triton’s processes and systems is expected to generate continuing improvements.”

“Our planned capital restructuring program is progressing well. In the second quarter of 2005 an equity financing for \$10.6 million was completed. This was followed in the third quarter with a new banking facility offering an increased operating line. These arrangements, combined with our positive earnings in 2005, have increased our working capital and strengthened our balance sheet, and will allow us to take advantage of the many opportunities in our markets.”

Key Results of the Third Quarter include:

- Revenue was \$120.6 million compared to \$82.6 million during the third quarter of 2004.
- Net earnings were \$1.3 million (\$0.07 net earnings per Common Share) compared to a net loss of \$1.0 million (\$0.08 net loss per Common Share) during the third quarter of 2004.
- An additional \$133.8 million of work was awarded to Churchill during the quarter, resulting in work-in-hand of \$ 307.8 million on September 30, 2005, up \$13.0 million, or 4.4% from \$294.8 million on June 30, 2005.

Key Results of the Nine Months Year-to-Date include:

- Revenue was \$341.0 million compared to \$232.9 million during the nine months ended September 30, 2004.
- Net earnings were \$2.1 million (\$0.14 net earnings per Common Share) compared to a net loss of \$2.5 million (\$0.20 net loss per Common Share) during the nine months ended September 30, 2004.

On September 30, 2005, Churchill had 17,649,686 Common Shares issued and outstanding.

RESULTS OF OPERATIONS

For the three months ended September 30, 2005, Churchill realized net earnings of \$1.3 million (2004 – net loss of \$1.0 million) on revenue of \$120.6 million (2004 – \$82.6 million), or net earnings per Common Share of \$0.07 (2004 – net loss per Common Share of \$0.08). The increase in profitability in the third quarter, as compared to the same period in 2004, is a result of increased revenue and improvement in operational performance.

For the nine months ended September 30, 2005, Churchill realized net earnings of \$2.1 million (2004 – net loss of \$2.5 million) on revenue of \$341.0 million (2004 – \$232.9 million), or net earnings per Common Share of \$0.14 (2004 – net loss per Common Share of \$0.20).

Buildings

Stuart Olson had work-in-hand of \$168.3 million at June 30, 2005. For the three months ended September 30, 2005 the company secured a further \$52.9 million of contracts, and executed and took into revenue \$54.6 million. The company had \$166.6 million of work-in-hand at September 30, 2005, of which \$104.1 million is expected to carry over into 2006.

Stuart Olson's revenue for the three months ended September 30, 2005 was \$54.6 million, as compared to \$61.8 million for the same period in 2004. Earnings before taxes decreased to \$1.2 million in the third quarter of 2005 from \$1.6 million in the third quarter of 2004. The reduction was primarily the result of lower revenue compared to the prior year.

For the nine months ended September 30, 2005 Stuart Olson realized earnings before taxes of \$2.1 million on contract revenue of \$167.4 million, compared to earnings before taxes of \$1.3 million on revenue of \$177.5 million for the nine months ended September 30, 2004. The increased level of earnings relative to lower revenue on a year over year basis is primarily a result of higher margin work

in 2005. This is a reflection of improvement in the company's markets as well as increased operating efficiency through systems and process enhancements.

Industrial General Contracting

Triton had work-in-hand of \$38.9 million at June 30, 2005. For the three months ended September 30, 2005 the company secured a further \$26.6 million of contracts, and executed \$24.5 million. Triton had \$41.0 million of work-in-hand at September 30, 2005, of which \$20.2 million is expected to carry over into 2006.

Triton's revenue for the three months ended September 30, 2005 was \$24.5 million, up from \$10.5 million for the three months ended September 30, 2004. Triton's loss before taxes for the three months ended September 30, 2005 was \$0.9 million, compared to a loss before taxes of \$1.4 million for the same period last year. While 2005 third quarter revenue was significantly higher than amounts realized in the corresponding period in 2004, to date this has not brought about a return to profitable operations. Notwithstanding the increased productivity at the fabrication plant due to improvements in its systems and processes, the planned restrictions in the level of activity resulted in the facility incurring an overall operating loss in the quarter. In addition, Triton encountered significant contractual and project execution issues in the quarter in respect of one of its larger construction projects resulting in a substantial reduction in realized contract margin.

For the nine months ended September 30, 2005, Triton realized earnings before taxes of \$0.6 million on contract revenue of \$69.4 million, compared to a loss before taxes of \$2.2 million on contract revenue of \$21.1 million for the nine months to September 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 as well as revenue produced in the 2005 period from fabrication plant projects. A portion of the improvement realized in 2005 relates to earnings before taxes of \$1.3 million in the second quarter, and a further \$0.4 million in the third quarter, associated with the resolution of a contractual settlement on a fabrication contract completed early in 2005.

Industrial Insulation Contracting

Fuller Austin and Northern Industrial Insulation had combined work-in-hand of \$14.2 million at June 30, 2005. For the three months ended September 30, 2005 they secured a further \$45.5 million of contracts, and executed \$20.9 million. The companies had \$38.8 million of work-in-hand at September 30, 2005, of which \$17.3 million is expected to carry over into 2006.

Revenue for the three months ended September 30, 2005 was \$20.9 million, compared to \$8.6 million for the three months ended September 30, 2004. Earnings before taxes were \$1.5 million for the three months ended September

30, 2005, compared to earnings before taxes of \$0.1 million for the same period last year. The primary reason for the increase in earnings was the large revenue increase in 2005. New large oil sands contracts secured by Fuller Austin, which were anticipated to commence in the first two quarters of 2005, were deferred due to client generated delays and scope revisions. This project work shifted to the third quarter of 2005 and resulted in a high level of activity for the period that is expected to carry forward throughout the balance of 2005 and early 2006.

For the nine months ended September 30, 2005 the insulation companies realized earnings before taxes of \$1.2 million on contract revenue of \$46.2 million, compared to earnings before taxes of \$1.4 million on revenue of \$25.3 million for the nine months to September 30, 2004. Lower margins were expected on the large oil sands contracts in 2005, due to the nature of the particular contracts. Delays in start-up and site progress on these projects caused lower than expected revenue for the first half of 2005 and accordingly lower contract income for that period. This delayed work has now progressed into construction.

Industrial Electrical Contracting

Laird had work-in-hand of \$73.4 million at June 30, 2005. For the three months ended September 30, 2005 the company secured a further \$9.4 million of contracts, and executed \$21.3 million. Laird had \$61.5 million of work-in-hand at September 30, 2005, of which \$44.6 million is expected to carry over into 2006.

For the three months ended September 30, 2005, Laird's revenue was \$21.3 million, up significantly from \$3.0 million for the same period last year. The company continues to operate at one of the highest levels of activity in its history. Laird was awarded a large contract in January 2005 for its major client in Fort McMurray. This work, which commenced in the second quarter and was substantially completed in the third quarter, has had a positive effect on revenue and earnings. Laird realized earnings before taxes of \$0.8 million for the three months ended September 30, 2005, compared to a loss before taxes of \$0.9 million for the same period last year.

For the nine months ended September 30, 2005 Laird realized earnings before taxes of \$1.9 million on contract revenue of \$60.3 million, compared to a loss before taxes of \$1.5 million on revenue of \$14.0 million for the nine months to September 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 accounted for approximately 75% of Laird's revenue in the third quarter.

Corporate and Other

For the three months ended September 30, 2005, the Corporate and Other segment incurred \$0.7 million of indirect and administrative expenses including net

interest costs, as compared to \$0.9 million for the three months ended September 30, 2004. The decrease in the indirect and administrative expenses on a year over year basis was primarily related to improvements in operating efficiencies resulting from the corporate restructuring that occurred earlier in 2005.

For the nine months ended September 30, 2005, the Corporate and Other segment incurred \$2.5 million of indirect and administrative expenses including net interest costs, as compared to \$2.4 million for the same period in 2004. The 2005 expenses included recruiting and severance costs for senior officer changes. Also included were the costs of consultants and the Special Committee of the Board of Directors. Their mandate was to review and design process improvements for the industrial operations and the fabrication plant, as well as the sourcing of new capital for the Corporation. The Special Committee also provided interim management to the Corporation. These costs were primarily incurred in the first two quarters of 2005.

CASH FLOW, FINANCING, CAPITAL REQUIREMENTS, LIQUIDITY

The Corporation's working capital position at September 30, 2005 was \$23.4 million, up substantially from \$9.9 million at September 30, 2004 and \$14.9 million at June 30, 2005.

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. This was reported in prior periods as well as in the Material Change Report filed with the TSX on April 22, 2005. The arrangement included the issuance of 5,323,000 of new Common Shares in a private placement.

As part of its working capital restructuring program, the Corporation completed a new banking facility arrangement in the third quarter. This arrangement provided a \$7.8 million term loan to replace the Corporation's previous term and acquisition loans as well as to extend the repayment period. An operating line of credit of \$12.0 million was provided to replace the temporary facility arranged in June 2005 and the agreement allowed for the release of \$4.0 million of term deposits previously held as security. The effect of this new banking arrangement was to increase the working capital by \$7.0 million in the quarter. The Corporation is in compliance with its bank debt covenants as a result of its return to profitability combined with the additional equity funding.

Working capital increased by \$8.5 million during the quarter. This increase was primarily due to \$7.0 million of debt refinancing outlined above and \$1.3 million generated from net earnings.

Capital expenditures for the three months ended September 30, 2005 were \$0.5 million. Replacing and expanding the vehicle fleet accounted for the majority of these expenditures.

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 \$37.9 million at September 30, 2005, as compared to \$28.6 million at September 30, 2004 and \$36.5 million at June 30, 2005. Contributed surplus increased \$18 thousand during the three months ended September 30, 2005 as a result of the accrual of stock-based compensation. Retained earnings increased during the third quarter from \$16.0 million at June 30, 2005 to \$17.3 million at September 30, 2005, reflecting the net earnings for the quarter.

The Corporation had 17,649,686 Common Shares outstanding as at September 30, 2005 (June 30, 2005 – 17,594,686 Common Shares). During the quarter options to acquire 55,000 Common Shares were exercised for cash.

During the quarter 100,000 new performance related options were issued to the President and CEO at an exercise price of \$2.80. Vesting of any or all of these options will be at the sole discretion of the Board of Directors based on the achievement of certain performance goals. There were 626,000 options convertible to Common Shares outstanding as at September 30, 2005.

As at October 26, 2005, the Corporation has outstanding 17,649,686 Common Shares and 626,000 options convertible to Common Shares.

THE CHURCHILL CORPORATION

Consolidated Balance Sheets (Unaudited)

(\$ thousands)	September 30 2005	December 31 2004	September 30 2004
ASSETS			
Current assets			
Cash and equivalents	\$ 13,778	\$ 11,719	\$ 14,002
Term deposit	-	4,000	-
Accounts receivable	90,485	77,325	74,454
Inventories and prepaid expenses	2,770	1,663	2,320
Properties for sale	1	103	103
Income taxes recoverable	27	954	-
Future income tax assets	618	1,921	1,765
	107,679	97,685	92,644
Future income tax assets	465	549	452
Property and equipment	15,852	15,528	14,618
Intangible assets	57	231	289
Refundable deposit	1,000	1,000	1,000
Goodwill	7,315	7,315	7,315
	\$ 132,368	\$ 122,308	\$ 116,318
LIABILITIES			
Current liabilities			
Bank indebtedness	\$ 8,282	\$ -	\$ -
Accounts payable	63,867	67,363	56,346
Income taxes payable	-	-	1,731
Contract advances and unearned income	10,852	17,937	22,772
Current portion of long-term debt	1,325	9,358	1,878
	84,326	94,658	82,727
Long-term debt	9,443	1,849	4,686
Future income tax liabilities	740	935	350
	94,509	97,442	87,763
SHAREHOLDERS' EQUITY			
Share capital	15,069	4,289	4,265
Contributed surplus	5,467	5,378	5,380
Retained earnings	17,323	15,199	18,910
	37,859	24,866	28,555
	\$ 132,368	\$ 122,308	\$ 116,318

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Consolidated Statements of Earnings

(\$ thousands, except per share amounts)	Three months ended September 30 (Unaudited)		Nine months ended September 30 (Unaudited)	
	2005	2004	2005	2004
Contract revenue	\$ 120,608	\$ 82,642	341,040	\$ 232,862
Contract costs	110,958	77,284	313,680	216,759
Contract income	9,650	5,358	27,360	16,103
Interest income	52	117	217	337
Sundry income	113	11	423	222
Indirect and administrative expenses	(6,827)	(5,859)	(21,940)	(17,362)
Depreciation and amortization	(756)	(957)	(2,034)	(2,466)
Interest expense	(252)	(132)	(748)	(373)
Earnings (loss) before income taxes	1,980	(1,462)	3,278	(3,539)
Income tax recovery (expense):				
Current income tax	3	480	38	223
Future income tax	(705)	-	(1,192)	858
	(702)	480	(1,154)	1,081
Net earnings (loss)	\$ 1,278	\$ (982)	2,124	\$ (2,458)
Net earnings (loss) per common share				
Basic	\$ 0.07	\$ (0.08)	\$ 0.14	\$ (0.20)
Fully diluted	\$ 0.07	\$ (0.08)	\$ 0.14	\$ (0.20)

Consolidated Statements of Retained Earnings

(\$ thousands)	Three months ended September 30 (Unaudited)		Nine months ended September 30 (Unaudited)	
	2005	2004	2005	2004
Retained earnings, beginning of period	\$ 16,045	\$ 19,892	\$ 15,199	\$ 21,383
Net earnings (loss)	1,278	(982)	2,124	(2,458)
Share redemption in excess of stated capital	-	-	-	(15)
Retained earnings, end of period	\$ 17,323	\$ 18,910	\$ 17,323	\$ 18,910

THE CHURCHILL CORPORATION

Consolidated Statements of Net Cash Flow

	Three months ended September 30 (Unaudited)		Nine months ended September 30 (Unaudited)	
(\$ thousands)	2005	2004	2005	2004
OPERATING ACTIVITIES				
Net earnings (loss)	\$ 1,278	\$ (982)	\$ 2,124	\$ (2,458)
Non-cash items				
Depreciation and amortization	756	957	2,034	2,466
Gain on disposal of property for sale	-	-	(210)	-
Gain on disposal of equipment	(3)	(1)	(8)	(57)
Future income taxes	705	(1,974)	1,192	(2,832)
Stock-based compensation	18	26	89	76
	2,754	(1,974)	5,221	(2,805)
Net change in accounts receivable, inventories and prepaid expenses	(11,221)	(13,180)	(14,267)	(7,851)
Net change in accounts payable, contract advances and unearned income	9,183	8,370	(10,581)	16,715
Net change in income taxes payable	176	2,684	927	626
	892	(4,100)	(18,700)	6,685
INVESTING ACTIVITIES				
Proceeds from agreement receivable	-	-	-	138
Proceeds on disposal of property for sale	-	-	312	-
Proceeds on disposal of equipment	6	16	16	128
Additions to property and equipment	(538)	(2,539)	(2,192)	(7,092)
	(532)	(2,523)	(1,864)	(6,826)
FINANCING ACTIVITIES				
Issuance of short-term debt	-	-	7,000	-
Issuance of common shares	90	-	3,780	474
Issuance of long-term debt	8,004	272	8,993	494
Repayment of long-term debt	(8,005)	(588)	(9,432)	(1,429)
Redemption of term deposit	4,000	-	4,000	-
Redemption of common shares	-	-	-	(18)
	4,089	(316)	14,341	(479)
Increase (decrease) in cash	4,449	(6,939)	(6,223)	(620)
Net cash, beginning of period	1,047	20,941	11,719	14,622
Net cash, end of period	\$ 5,496	\$ 14,002	\$ 5,496	\$ 14,002
Net cash is comprised of:				
Cash	\$ 13,778	\$ 14,002	\$ 13,778	\$ 14,002
Bank indebtedness	(8,282)	-	(8,282)	-
	\$ 5,496	\$ 14,002	\$ 5,496	\$ 14,002

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 Third 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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