

THE CHURCHILL CORPORATION

**For immediate release
Wednesday, May 10, 2006**

CHURCHILL REPORTS FIRST QUARTER RESULTS

The Churchill Corporation reports financial results for the first quarter of 2006. Net income was \$0.6 million on revenue of \$111.8 million for the quarter, compared to a net loss of \$0.2 million on revenue of \$101.6 million during the first quarter of 2005.

“The industrial and building construction markets continued to present the Corporation with significant opportunities in the first quarter of 2006,” said Norm Rokosh, Churchill’s President and Chief Executive Officer. “Revenue exceeded our first quarter results from last year and we were able to achieve a small level of earnings in what has traditionally been a slower quarter for our businesses. Fuller Austin and Northern Industrial experienced a high level of activity and secured several new contracts for oilsands related work. Stuart Olson continued with the strong performance experienced over the last few quarters and increased work-in-hand by \$51 million since the 2005 year end. Triton experienced an improvement in earnings mostly due to recoveries on close out of contract work completed in 2005. This was offset by losses incurred in its fabrication facility, due to its restricted utilization. Laird’s revenue was down in the first quarter due to delays in the startup of new projects. Earnings were negatively impacted by this decreased revenue as well as by unallocated overhead related to these delays. We expect Laird to return to profitability as it begins executing on new contracts it has secured in the oilsands market.”

“Our focus remains on improving our operational performance and expanding our systems and personnel to take advantage of the many opportunities presented in the market. We continue to examine avenues to secure additional capital for expansion of the Corporation. The construction markets in Alberta and BC are among the strongest in the country and we remain optimistic that Churchill will experience improved performance as 2006 progresses.”

Key Results of the First Quarter include:

- Revenue was \$111.8 million compared to \$101.6 million during the first quarter of 2005.
- Net income was \$0.6 million (\$0.03 net earnings per Common Share) compared to a net loss of \$0.2 million (\$0.02 net loss per Common Share) during the first quarter of 2005.

- An additional \$177.7 million of work was awarded to Churchill during the quarter, resulting in work-in-hand of \$313.1 million on March 31, 2006, up \$65.9 million, or 27% from \$247.2 million on December 31, 2005.

On March 31, 2006, Churchill had 17,895,686 Common Shares issued and outstanding.

RESULTS OF OPERATIONS

For the three months ended March 31, 2006, Churchill realized net income of \$0.6 million (2005 – net loss of \$0.2 million) on revenue of \$111.8 million (2005 – \$101.6 million), or net earnings per Common Share of \$0.03 (2005 – net loss per Common Share of \$0.02). The increase in net income in the first quarter, as compared to the same period in 2005, is a result of increased revenue due to a stronger market as well as improvement in operational performance.

Buildings

Stuart Olson had work-in-hand of \$138.1 million at December 31, 2005. For the three months ended March 31, 2006 the company secured a further \$109.1 million of contracts, and executed and took into revenue \$58.2 million. The company had \$189.0 million of work-in-hand at March 31, 2006, of which \$25.2 million is expected to carry over into 2007.

Stuart Olson's revenue for the three months ended March 31, 2006 was \$58.2 million, as compared to \$55.7 million for the same period in 2005. Earnings before taxes increased to \$0.9 million in the first quarter of 2006 from \$0.5 million in the first quarter of 2005. The increase in earnings was primarily the result of higher revenue compared to the prior year as the company's markets improved, as well as an increase in operating efficiency providing higher contract margins.

Industrial General Contracting

Triton had work-in-hand of \$23.7 million at December 31, 2005. For the three months ended March 31, 2006 the company secured a further \$14.4 million of contracts, and executed \$17.3 million. Triton had \$20.8 million of work-in-hand at March 31, 2006, of which \$1.4 million is expected to carry over into 2007.

Triton's revenue for the three months ended March 31, 2006 was \$17.3 million, down from \$18.5 million for the three months ended March 31, 2005. Triton's earnings before taxes for the three months ended March 31, 2006 were \$0.9 million, compared to earnings before taxes of \$0.1 million for the same period last year. During the quarter the company closed out several contracts completed in 2005 and recognized \$1.0 million of net earnings before taxes associated with these close outs in the quarter. The fabrication facility continues to operate below

capacity due to planned constraints as well as limited success in securing appropriate contracts. The fabrication facility lost \$0.6 million before tax in the quarter.

Industrial Insulation Contracting

Fuller Austin and Northern Industrial Insulation had combined work-in-hand of \$26.8 million at December 31, 2005. For the three months ended March 31, 2006 they secured a further \$27.7 million of contracts, and executed \$22.6 million. The companies had \$31.9 million of work-in-hand at March 31, 2006, of which \$0.8 million is expected to carry over into 2007.

Revenue for the three months ended March 31, 2006 was \$22.6 million, compared to \$11.4 million for the three months ended March 31, 2005. Earnings before taxes were \$0.3 million for the three months ended March 31, 2006, compared to a loss before taxes of \$0.3 million for the same period last year. The primary reason for the higher earnings was the significantly higher revenue in 2006. The large oil sands contract, secured by Fuller Austin in 2005, continued into 2006 and accounted for a major portion of this revenue increase. Improvement in the company's markets in Saskatchewan and Manitoba made further contributions to revenue. Northern Industrial experienced the highest level of work-in-hand in its history for a first quarter as the company secured new contracts for oil sands related projects.

Industrial Electrical Contracting

Laird had work-in-hand of \$58.7 million at December 31, 2005. For the three months ended March 31, 2006 the company secured a further \$26.5 million of contracts, and executed \$13.8 million. Laird has strategically diversified its client base and as a result had \$71.4 million of work-in-hand at March 31, 2006, of which \$10.6 million is expected to carry over into 2007.

For the three months ended March 31, 2006, Laird's revenue was \$13.8 million, down from \$16.6 million for the same period last year. Laird had a loss before taxes of \$0.4 million for the three months ended March 31, 2006, compared to earnings before taxes of \$0.2 million for the same period last year. Notwithstanding the traditionally slow first quarter, the company continues to operate at one of the highest levels of activity in its history. The first quarter of 2005 included substantial revenue from rebuilding activities associated with a major fire at one of Laird's client's facilities in the Fort McMurray area. This work had a positive effect on revenue and earnings in the first quarter of 2005 that was not repeated in 2006. In the first quarter of 2006, the company absorbed unrecoverable overhead costs related to delayed start-up on several new projects expected to be executed later in the year. The company also incurred a loss on a completed project during the quarter.

Corporate and Other

For the three months ended March 31, 2006, the Corporate and Other segment incurred \$0.9 million of indirect and administrative expenses including net interest costs, as compared to \$0.8 million for the three months ended March 31, 2005. The increase in the indirect and administrative expenses on a year-over-year basis was primarily due to consulting fees related to systems improvements and process re-engineering of the industrial companies, as well as additional personnel to accommodate the Corporation's increased level of activity. In the same period in 2005, the Corporation incurred costs of \$0.3 million related to a Special Committee of the Board of Directors.

CASH FLOW, FINANCING, CAPITAL REQUIREMENTS, LIQUIDITY

Churchill's working capital position, comprised of current assets less current liabilities excluding that portion of a demand term loan which is scheduled to be repaid beyond one year, was \$21.3 million at March 31, 2006 as compared to \$25.1 million at December 31, 2005, and \$3.4 million at March 31, 2005.

This substantial increase in working capital on a year-over-year basis is the result of positive earnings in 2005, combined with a major capital restructuring program implemented during 2005. This capital restructuring program consisted of new equity financing of \$10.6 million and a new banking arrangement with increased borrowing capability. The Corporation is continuing to review opportunities to strengthen its capitalization.

The reduction in working capital from December 31, 2005 was due to a classification of \$4.0 million as a long term asset due to agreements related to a restriction in its use.

Capital expenditures for the three months ended March 31, 2006 were \$0.9 million. Replacing and expanding the vehicle fleet accounted for \$0.3 million; upgrading computer equipment accounted for \$0.4 million; the balance was for miscellaneous construction and office equipment as well as minor facility upgrades.

An arrangement was made in the quarter with the Corporation's lender to increase the operating line of credit from \$12.0 million to \$16.0 million as well as to add an additional line of credit of \$3.0 million to be used specifically for the lease of vehicles and equipment pertaining to operations. Subsequent to the end of the quarter a further arrangement was finalized increasing the operating line from \$16.0 million to \$21.0 million.

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.

The Corporation repaid \$0.2 million of the demand term loan and \$0.2 million of long term debt in accordance with the repayment schedules and the contractual obligations described in the 2005 Annual Report. An additional \$0.3 million was added to long term debt in the quarter related to the financing of new vehicles.

Shareholder's equity was \$40.8 million at March 31, 2006, as compared to \$40.2 million at December 31, 2005. Contributed surplus increased \$11 thousand during the three months ended March 31, 2006 as a result of the accrual of stock-based compensation. Retained earnings increased by \$0.6 million during the first quarter from \$19.0 million at December 31, 2005, reflecting the net earnings for the quarter.

The Corporation had 17,895,686 Common Shares outstanding as at March 31, 2006 (December 31, 2005 – 17,895,686 Common Shares).

During the quarter 50,000 new performance related options were issued to the Vice President and CFO at an exercise price of \$3.05. 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 655,000 options convertible to Common Shares outstanding as at March 31, 2006.

Subsequent to the end of the first quarter, 311,528 Common Shares were returned to the Corporation. These shares were returned under the escrow agreements for the acquisition of Laird Electric Inc. which stated that if a performance objective was not met, the Corporation would be entitled to a repayment of a refundable deposit of \$1.0 million. This performance objective was not met. The shares will be returned to treasury for cancellation.

As at May 5, 2006, the Corporation has outstanding 17,895,686 Common Shares and 655,000 options convertible to Common Shares.

THE CHURCHILL CORPORATION

Consolidated Balance Sheets

| (\$ thousands) | March 31 2006 (unaudited) | December 31 2005 |
|---------------------------------------|---------------------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and equivalents | \$ 20,862 | \$ 29,177 |
| Accounts receivable | 77,825 | 72,417 |
| Inventories and prepaid expenses | 2,232 | 1,724 |
| Costs in excess of billings | - | 13,127 |
| Income taxes recoverable | 3,310 | 3,310 |
| | 104,229 | 119,755 |
| Long-term cash and equivalents | 4,000 | - |
| Future income tax assets | 295 | 435 |
| Property and equipment | 15,782 | 15,556 |
| Refundable deposit | 1,000 | 1,000 |
| Goodwill | 7,315 | 7,315 |
| Intangible assets | 253 | - |
| | \$ 132,874 | \$ 144,061 |
| LIABILITIES | | |
| Current liabilities | | |
| Line of credit | \$ 12,200 | \$ 7,780 |
| Accounts payable | 61,683 | 81,775 |
| Contract advances and unearned income | 3,821 | - |
| Future income tax liabilities | 3,848 | 3,706 |
| Current portion of long-term debt | 620 | 597 |
| Demand term loan | 7,345 | 7,540 |
| | 89,517 | 101,398 |
| Long-term debt | 2,406 | 2,301 |
| Future income tax liabilities | 157 | 143 |
| | 92,080 | 103,842 |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 15,472 | 15,472 |
| Contributed surplus | 5,765 | 5,754 |
| Retained earnings | 19,557 | 18,993 |
| | 40,794 | 40,219 |
| | \$ 132,874 | \$ 144,061 |

THE CHURCHILL CORPORATION

Consolidated Statements of Income (Loss)

| Three months ended March 31 (Unaudited) | | |
|------------------------------------------|------------|------------|
| (\$ thousands, except per share amounts) | 2006 | 2005 |
| Contract revenue | \$ 111,836 | \$ 101,614 |
| Contract costs | 102,166 | 94,355 |
| Contract income | 9,670 | 7,259 |
| Interest income | 126 | 89 |
| Sundry income | 179 | 290 |
| Indirect and administrative expenses | (8,228) | (7,176) |
| Depreciation and amortization | (598) | (670) |
| Interest expense | (269) | (175) |
| Income (loss) before income taxes | 880 | (383) |
| Income tax (expense) recovery: | | |
| Current income tax | (20) | 1,554 |
| Future income tax | (296) | (1,409) |
| | (316) | 145 |
| Net income (loss) | \$ 564 | \$ (238) |
| Net income (loss) per common share | | |
| Basic | \$ 0.03 | \$ (0.02) |
| Fully diluted | \$ 0.03 | \$ (0.02) |

Consolidated Statements of Retained Earnings

| Three months ended March 31 (Unaudited) | | |
|-----------------------------------------|-----------|-----------|
| (\$ thousands) | 2006 | 2005 |
| Retained earnings, beginning of period | \$ 18,993 | \$ 15,199 |
| Net income (loss) | 564 | (238) |
| Retained earnings, end of period | \$ 19,557 | \$ 14,961 |

THE CHURCHILL CORPORATION

Consolidated Statements of Net Cash Flow

| Three months ended March 31 (Unaudited) | | | |
|------------------------------------------------------------------------------|----|----------------|-----------------|
| (\$ thousands) | | | |
| | | 2006 | 2005 |
| OPERATING ACTIVITIES | | | |
| Net income (loss) | \$ | 564 | \$ (238) |
| Non-cash items | | | |
| Depreciation and amortization | | 598 | 670 |
| Gain on disposal of property for sale | | - | (210) |
| (Gain) loss on disposal of equipment | | (7) | 2 |
| Future income taxes | | 296 | 1,409 |
| Stock-based compensation | | 11 | 58 |
| | | 1,462 | 1,691 |
| Net change in costs in accounts receivable, inventories and prepaid expenses | | (5,916) | (12,942) |
| Net change in costs in accounts payable | | (20,092) | 1,217 |
| Net change in costs in contract advances and unearned income | | 16,948 | - |
| Change in income taxes recoverable | | - | (1,554) |
| | | (7,598) | (11,588) |
| INVESTING ACTIVITIES | | | |
| Proceeds on disposal of property for sale | | - | 312 |
| Long-term cash and equivalents | | (4,000) | - |
| Proceeds on disposal of equipment | | 20 | 1 |
| Additions to property and equipment | | (837) | (503) |
| Additions to intangible assets | | (253) | - |
| | | (5,070) | (190) |
| FINANCING ACTIVITIES | | | |
| Issuance of common shares | | - | 44 |
| Proceeds under line of credit | | 4,420 | 7,795 |
| Issuance of long-term debt | | 283 | 18 |
| Repayment of long-term debt | | (155) | (684) |
| Repayment of demand term loan | | (195) | - |
| | | 4,353 | 7,173 |
| Decrease in cash | | (8,315) | (4,605) |
| Net cash, beginning of period | | 29,177 | 11,719 |
| Net cash, end of period | \$ | 20,862 | \$ 7,114 |

TERMINOLOGY

Throughout this Press Release, and other documents referred to, management uses the following terms which do not have any standardized meaning under Canadian GAAP as set out in the CICA Handbook. Specifically, the terms “contract income margin percentage”, “work-in-hand” and “working capital” have been defined as -

Contract income margin percentage 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 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.

Working capital is defined as current assets less current liabilities excluding that portion relating to any demand term loan which is scheduled to be repaid beyond one year.

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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