

THE CHURCHILL CORPORATION

**For immediate release
Wednesday, August 9, 2006**

CHURCHILL REPORTS SECOND QUARTER REVENUE OF \$121.6 MILLION

The Churchill Corporation today announced financial results for the second quarter of 2006. Consolidated revenue was \$121.6 million, earnings before tax were \$1.4 million, net income was \$0.8 million and earnings per share (EPS) were \$0.05. This is similar to the prior year period when the Corporation reported revenue of \$118.8 million, earnings before tax of \$1.7 million, net income of \$1.1 million and earnings per share of \$0.07.

“Churchill is continuing to secure new business and execute on construction and maintenance projects at an unprecedented pace. Spending on public infrastructure projects is driving growth in our building construction markets while spending on oil sands projects continues to sustain and grow our industrial businesses. Our backlog has increased by 43% or \$106.5 million since the end of 2005. This continues to be one of the best construction markets the company has experienced in recent years,” said Norm Rokosh, Churchill’s President and Chief Executive Officer.

“Our second quarter earnings were lower than in the same period of last year. This was largely due to increased administrative expenses resulting from the growth experienced in most of our operating companies combined with losses incurred at Triton. We welcome Mr. Kelly Smith to our management team as President of Triton; his 30 years of experience in the oil and gas service business in Western Canada will be an asset to the company.”

Financial Review

Summary of Consolidated Financial Results			
	Q2, 2006	vs. Q2, 2005	vs. Q1, 2006
Revenue	\$121.6 million	2%	9%
EBITDA ⁽¹⁾	\$2.3 million	(10%)	34%
Net Income	\$0.8 million	(25%)	44%
EPS	\$0.05	(29%)	67%

⁽¹⁾ EBITDA is equal to earnings before interest expense, taxes, depreciation and amortization. EBITDA is a non-GAAP financial measure that does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other issuers.

- Year-to-date revenue was \$233.4 million compared to \$220.4 million during the first six months of 2005.
- Year-to-date net income was \$1.4 million (\$0.08 net earnings per Common Share) compared to a net income of \$0.8 million (\$0.06 net earnings per Common Share) during the first half of 2005.
- An additional \$162.2 million of work was awarded to Churchill during the quarter, resulting in work-in-hand of \$353.7 million on June 30, 2006, an increase of \$40.6 million, or 13.0% from \$313.1 million on March 31, 2006.

On June 30, 2006, Churchill had 17,584,158 Common Shares issued and outstanding.

Operating Company Highlights

- Stuart Olson's revenue grew by 18% over the first quarter of 2006 and the company recorded its ninth consecutive quarter of positive earnings.
- Laird reported record quarterly revenue since acquisition by Churchill in 2003 and the company increased its profitability due to the increased level of activity.
- The insulation companies increased earnings before tax compared to the first quarter of 2006 and the prior year period.
- Triton experienced a loss this quarter due to reduced business volume coupled with disappointing financial results for projects underway.

Our focus remains on positioning our companies to take advantage of the many business opportunities presented in the strong western Canadian construction market. We are looking forward to a strong second-half of the year.

RESULTS OF OPERATIONS

For the three months ended June 30, 2006, Churchill realized net income of \$0.8 million (2005 – net income of \$1.1 million) on revenue of \$121.6 million (2005 – \$118.8 million), or net earnings per Common Share of \$0.05 (2005 – net earnings per Common Share of \$0.07). The decrease in profitability in the second quarter, as compared to the same period in 2005, is a result of increased indirect and administrative expenses and losses incurred in our Triton business. Each of our operating companies received insurance rebates during the quarter which in aggregate was \$1.1 million.

For the six months ended June 30, 2006, Churchill realized net income of \$1.4 million (2005 – net income of \$0.8 million) on revenue of \$233.4 million (2005 - \$220.4 million), or net earnings per Common Share of \$0.08 (2005 – net earnings per Common Share of \$0.06).

Buildings

Stuart Olson had work-in-hand of \$189.0 million at March 31, 2006. For the three months ended June 30, 2006 the company secured a further \$131.5 million of contracts, and executed and took into revenue \$68.7 million. The company had \$251.8 million of work-in-hand at June 30, 2006, of which \$65.5 million is expected to carry over into 2007.

Stuart Olson's revenue for the three months ended June 30, 2006 was \$68.7 million, an increase of 20.3% compared to \$57.1 million for the same period in 2005. Earnings before taxes increased to \$1.1 million in the second quarter of 2006 from \$0.5 million in the second quarter of 2005. The increase in earnings was primarily the result of higher revenue and contract margins compared to the prior year as the company's markets remain strong.

For the six months ended June 30, 2006 Stuart Olson realized earnings before taxes of \$2.0 million on contract revenue of \$126.9 million, compared to earnings before tax of \$0.9 million on revenue of \$112.8 million for the six months ended June 30, 2005. The company continues to experience an abundance of project opportunities in all of its operating regions.

Industrial General Contracting

Triton had work-in-hand of \$20.8 million at March 31, 2006. For the three months ended June 30, 2006 the company secured a further \$15.1 million of contracts, and executed \$12.3 million. The company had \$23.6 million of work-in-hand at June 30, 2006, of which \$1.6 million is expected to carry over into 2007.

Subsequent to the quarter, the Corporation appointed Kelly Smith as President and Chief Operating Officer of Triton. Mr. Smith brings to Triton a 26 year track record of successfully leading an oilfield service company, specializing in oilfield module and turnkey facility construction.

Triton's revenue for the three months ended June 30, 2006 was \$12.3 million, down from \$26.4 million for the three months ended June 30, 2005. Triton incurred a loss before taxes of \$1.3 million, compared to earnings before taxes of \$1.4 million for the same period last year. During the quarter the company experienced recoveries on contracts completed in 2005 and recognized \$1.2 million of earnings before taxes associated with these recoveries. Triton will continue to operate below capacity until such time as Mr. Smith concludes his operational assessment of the business.

For the six months ended June 30, 2006, Triton realized a loss before taxes of \$0.5 million on contract revenue of \$29.6 million, compared to earnings before taxes of \$1.5 million on revenue of \$44.9 million for the six months ended June 30, 2005. The decrease in revenue is primarily related to productivity and utilization at the fabrication facility and a reduction in secured work. The decrease in revenue, coupled with losses on several projects is responsible for the loss year-to-date.

Industrial Insulation Contracting

Fuller Austin and Northern Industrial Insulation had combined work-in-hand of \$31.9 million at March 31, 2006. For the three months ended June 30, 2006 they secured a further \$12.4 million of contracts, and executed \$16.1 million. The companies had \$28.2 million of work-in-hand at June 30, 2006, of which \$1.3 million is expected to carry over into 2007.

Revenue for the three months ended June 30, 2006 increased 15.8% to \$16.1 million, compared to \$13.9 million for the three months ended June 30, 2005. Earnings before taxes were \$1.1 million for the three months ended June 30, 2006, compared to earnings before taxes of nil for the same period last year. The primary reason for the higher earnings was the increase in revenue in 2006 and improved margins in most of the company's operating divisions.

For the six months ended June 30, 2006 the insulation companies realized a profit before taxes of \$1.5 million on contract revenue of \$38.6 million, compared to a loss before tax of \$0.3 million on revenue of \$25.3 million for the six months to June 30, 2005. The increased volume as well as improved margins experienced year-to-date is responsible for the positive contribution to earnings before tax.

Industrial Electrical Contracting

Laird had work-in-hand of \$71.4 million at March 31, 2006. For the three months ended June 30, 2006 the company secured a further \$3.2 million of contracts, and executed \$24.5 million. Delays in engineering during the first and second quarters caused delays in construction work packages being finalized. These delays will defer activity into the latter two quarters of 2006. The company had \$50.1 million of work-in-hand at June 30, 2006, of which \$10.6 million is expected to carry over into 2007.

For the three months ended June 30, 2006, Laird's revenue was \$24.5 million, an increase of 9.4% from \$22.4 million for the same period last year. This is the highest quarterly revenue for the company since acquisition by Churchill. Laird achieved earnings before taxes of \$1.5 million for the three months ended June 30, 2006, compared to earnings before taxes of \$0.9 million for the same period last year. This increase in earnings is a result of higher contract income, over and above the additional administrative expenses required to manage this increased level of activity.

For the six months ended June 30, 2006 Laird realized earnings before tax of \$1.1 million on contract revenue of \$38.3 million, compared to earnings before tax of \$1.1 million on revenue of \$39.0 million for the six months to June 30, 2005. The majority of the company's revenue and work-in-hand is related to oil sands projects in its core Fort McMurray market.

Corporate and Other

For the three months ended June 30, 2006, the Corporate and Other segment incurred \$0.9 million of indirect and administrative expenses including net interest costs, as compared to \$1.1 million for the three months ended June 30, 2005. The decrease in the indirect and administrative expenses on a year-over-year basis is primarily related to costs associated with consultants and the Special Committee of the Board of Directors in the comparable period in 2005.

For the six months ended June 30, 2006, the Corporate and Other segment incurred \$1.8 million of indirect and administrative expenses including net interest costs, as compared to \$1.9 million for the same period in 2005. The decrease is a result of the aforementioned consultants and Special Committee costs.

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 \$21.9 million at June 30, 2006 as compared to \$25.1 million at December 31, 2005. This decrease in working capital from December 31, 2005 was primarily due to a classification of \$4.0 million as a long term asset due to agreements related to a restriction in its use, less earnings of the Corporation year-to-date.

Capital expenditures for the three months ended June 30, 2006 were \$0.6 million. Replacing and expanding the vehicle fleet accounted for \$0.3 million; upgrading computer equipment accounted for \$0.2 million; the balance was spent on miscellaneous construction and office equipment.

An arrangement was made in the first quarter of 2006 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. During the second quarter of 2006, a further arrangement was finalized increasing the operating line from \$16.0 million to \$21.0 million.

The Corporation is a partner in three 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.

During the second quarter of 2006, 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 \$0.2 million was added to long term debt in the quarter related to the financing of new vehicles and computer systems.

During the three months ended June 30, 2006, 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 have been returned to treasury and cancelled. Share capital decreased by \$0.3 million and retained earnings were reduced by \$0.7 million related to this transaction.

Shareholder's equity was \$40.7 million at June 30, 2006, as compared to \$40.2 million at December 31, 2005. Contributed surplus increased \$0.1 million during the six months ended June 30, 2006 as a result of the accrual of stock-based compensation. Retained earnings increased by \$0.6 million from \$19.0 million at December 31, 2005, reflecting net earnings of \$1.4 million for the six months reduced by the Laird share transaction.

The Corporation had 17,584,158 Common Shares outstanding as at June 30, 2006 (March 31, 2006 – 17,895,686 Common Shares). No stock option activity occurred during the quarter ended June 30, 2006.

As at August 3, 2006, the Corporation has outstanding 17,584,158 Common Shares (December 31, 2005 – 17,895,686 Common Shares) and 655,000 options (December 31, 2005 – 605,000 options) convertible to Common Shares.

CONSOLIDATED BALANCE SHEETS

(\$ thousands)	June 30 2006 (Unaudited)	December 31 2005
ASSETS		
Current assets		
Cash and equivalents	\$ 27,443	\$ 29,177
Accounts receivable	87,680	72,417
Inventories and prepaid expenses	2,559	1,724
Costs in excess of billings	-	13,127
Income taxes recoverable	410	3,310
	118,092	119,755
Long-term cash and equivalents	4,000	-
Future income tax assets	495	435
Property and equipment	16,130	15,556
Refundable deposit	-	1,000
Goodwill	7,315	7,315
Intangible assets	231	-
	\$ 146,263	\$ 144,061
LIABILITIES		
Current liabilities		
Line of credit	\$ 13,350	\$ 7,780
Accounts payable	67,266	81,775
Contract advances and unearned income	9,581	-
Future income tax liabilities	4,493	3,706
Current portion of long-term debt	731	597
Demand term loan	7,150	7,540
	102,571	101,398
Long-term debt	2,827	2,301
Future income tax liabilities	191	143
	105,589	103,842
SHAREHOLDERS' EQUITY		
Share capital	15,203	15,472
Contributed surplus	5,833	5,754
Retained earnings	19,638	18,993
	40,674	40,219
	\$ 146,263	\$ 144,061

CONSOLIDATED STATEMENT OF EARNINGS

(\$ thousands, except per share amounts)	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)	
	2006	2005	2006	2005
Contract revenue	\$ 121,592	\$ 118,818	\$ 233,428	\$ 220,432
Contract costs	110,204	108,367	212,370	202,722
Contract income	11,388	10,451	21,058	17,710
Interest income	186	76	312	165
Sundry income	190	20	369	310
Indirect and administrative expenses	(9,415)	(7,937)	(17,643)	(15,113)
Depreciation and amortization	(652)	(608)	(1,250)	(1,278)
Interest expense	(306)	(321)	(575)	(496)
Income before income taxes	1,391	1,681	2,271	1,298
Income tax expense:				
Current income tax	(100)	(1,519)	(120)	35
Future income tax	(479)	922	(775)	(487)
	(579)	(597)	(895)	(452)
Net income	\$ 812	\$ 1,084	\$ 1,376	\$ 846
Net income per common share				
Basic	\$ 0.05	\$ 0.07	\$ 0.08	\$ 0.06
Fully diluted	\$ 0.04	\$ 0.07	\$ 0.08	\$ 0.06

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(\$ thousands)	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)	
	2006	2005	2006	2005
Retained earnings, beginning of period	\$ 19,557	\$ 14,961	\$ 18,993	\$ 15,199
Net income	812	1,084	1,376	846
Return of shares	(731)	-	(731)	-
Retained earnings, end of period	\$ 19,638	\$ 16,045	\$ 19,638	\$ 16,045

CONSOLIDATED STATEMENTS OF NET CASH FLOW

(\$ thousands)	Three months ended June 30 (Unaudited)		Six months ended June 30 (Unaudited)	
	2006	2005	2006	2005
OPERATING ACTIVITIES				
Net income	\$ 812	\$ 1,084	\$ 1,376	\$ 846
Non-cash items				
Depreciation and amortization	652	608	1,250	1,278
Gain on disposal of property for sale	-	-	-	(210)
Gain on disposal of equipment	(3)	(7)	(10)	(5)
Future income taxes	479	(922)	775	487
Stock-based compensation	68	13	79	71
	2,008	776	3,470	2,467
Net change in costs in accounts receivable, inventories and prepaid expenses	(10,182)	9,896	(16,098)	(3,046)
Net change in costs in accounts payable	5,583	(11,879)	(14,509)	(9,626)
Net change in costs in contract advances and unearned income	5,760	(9,102)	22,708	(10,138)
Change in income taxes recoverable	2,900	2,305	2,900	751
	6,069	(8,004)	(1,529)	(19,592)
INVESTING ACTIVITIES				
Proceeds on disposal of property for sale	-	-	-	312
Long-term cash and equivalents	-	-	(4,000)	-
Proceeds on disposal of equipment	177	9	197	10
Additions to property and equipment	(638)	(1,151)	(1,475)	(1,654)
Additions to intangible assets	-	-	(253)	-
	(461)	(1,142)	(5,531)	(1,332)
FINANCING ACTIVITIES				
Issuance of common shares	-	3,646	-	3,690
Issuance of short-term debt	-	7,000	-	7,000
Proceeds under line of credit	1,150	-	5,570	-
Issuance of long-term debt	190	971	473	989
Repayment of long-term debt	(172)	(743)	(327)	(1,427)
Repayment of demand term loan	(195)	-	(390)	-
	973	10,874	5,326	10,252
Increase (decrease) in cash	6,581	1,728	(1,734)	(10,672)
Net cash (overdraft), beginning of period	20,862	(681)	29,177	11,719
Net cash, end of period	\$ 27,443	\$ 1,047	\$ 27,443	\$ 1,047

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".

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 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.

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