

THE CHURCHILL CORPORATION

For immediate release
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CHURCHILL REPORTS RECORD THIRD QUARTER REVENUE AND POSITIVE EARNINGS GROWTH

Edmonton, Canada - The Churchill Corporation (TSX:CUQ) today reported its consolidated financial results for the third quarter ended September 30, 2006.

Third Quarter Results:

Summary of Consolidated Financial Results			
	Q3, 2006	vs. Q3, 2005	vs. Q2, 2006
Revenue	\$145.5 million	+21%	+20%
EBITDA ⁽¹⁾	\$5.5 million	+84%	+134%
Earnings before tax	\$4.6 million	+130%	+228%
Net Earnings	\$3.0 million	+131%	+274%
EPS - Basic	\$0.17	+143%	+240%

⁽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.

- Revenue was \$145.5 million, up \$24.9 million from \$120.6 million reported for the third quarter of 2005.
- Consolidated earnings before tax grew 130% to \$4.6 million in the third quarter of 2006 from \$2.0 million in the same period of last year.
- Net earnings increased 131% to \$3.0 million (\$0.17 per share) compared to \$1.3 million (\$0.07 per share) for the comparable three month period in 2005.
- Consolidated work-in-hand at the end of the quarter was \$469.6 million, an increase of 33% from \$353.7 million of consolidated work-in-hand on June 30, 2006.
- Weighted average shares outstanding during the three month period ended September 30, 2006 were 17,584,158 as compared to 17,630,016 during the comparable period of 2005.

“Our record revenue and positive net earnings growth came from strength in both our building and industrial segments. For the quarter, Stuart Olson represented 53% of total revenue and grew earnings before tax by 85% year-over-year. Stuart Olson is growing in the institutional and commercial construction markets and has been awarded a number of contracts to build or expand schools, hospitals and other infrastructure facilities to support the net population migration into Alberta and British Columbia,” said Norm Rokosh, Churchill’s President and Chief Executive Officer. “Churchill’s industrial businesses represented 47% of total revenue, generating an increase in earnings before tax of 106%. Our industrial companies focus on oil sands, resource and petrochemical markets. As

evidenced by our backlog growth, the Corporation has a number of significant projects it is undertaking on behalf of clients across all regions of western Canada. We acknowledge the hard work of our management, employees and contractors in achieving these positive results. We are looking forward to a strong fourth quarter.”

- Stuart Olson’s work-in-hand grew to \$375.2 million, up by 49% over the second quarter of 2006, as the company continues to secure new projects in all regions.
- Laird experienced a record quarter of activity reporting \$34.9 million of revenue and exceeding the \$24.5 million of revenue reported in the second quarter of 2006 by 42%.
- Fuller Austin and Northern Industrial Insulation reported earnings before tax during the quarter of \$2.1 million, a 91% increase over the \$1.1 million of earnings before tax reported in the second quarter ended June 30, 2006.
- Triton reduced its loss before tax to \$0.8 million as compared to a loss before tax of \$1.3 million in the second quarter of 2006, primarily due to a recovery associated with finalization of contracts on work completed in prior quarters.

RESULTS OF OPERATIONS

For the three months ended September 30, 2006, Churchill realized consolidated net earnings of \$3.0 million (2005 – net earnings of \$1.3 million) on revenue of \$145.5 million (2005 – \$120.6 million), or basic earnings per Common Share of \$0.17 (2005 – basic earnings per Common Share of \$0.07). The increase in profitability in the third quarter, as compared to the same period in 2005, is a result of higher activity levels and strategic initiatives to improve margins.

For the nine months ended September 30, 2006, Churchill realized consolidated net earnings of \$4.4 million (2005 – net earnings of \$2.1 million) on revenue of \$378.9 million (2005 - \$341.0 million), or basic earnings per Common Share of \$0.25 (2005 – basic earnings per Common Share of \$0.14).

Buildings

Stuart Olson had work-in-hand of \$251.8 million at June 30, 2006. For the three months ended September 30, 2006 the company secured a further \$200.6 million of contracts, and executed and took into revenue \$77.2 million. The company had \$375.2 million of work-in-hand at September 30, 2006, of which \$278.2 million is expected to carry over into 2007.

Stuart Olson’s revenue for the three months ended September 30, 2006 was \$77.2 million, an increase of 41% compared to \$54.6 million for the same period in 2005. Earnings before tax increased 83% to \$2.2 million in the third quarter of 2006 from \$1.2 million in the third quarter of 2005. The increase in earnings before tax was primarily the result of higher revenue and improved contract margins.

For the nine months ended September 30, 2006, Stuart Olson realized earnings before tax of \$4.2 million on contract revenue of \$204.1 million, compared to earnings before tax of

\$2.1 million on revenue of \$167.4 million for the nine months ended September 30, 2005. The company continues to experience growth in all of its geographic regions and market conditions have been favourable, enabling Stuart Olson to successfully increase margins.

Industrial General Contracting

Triton had work-in-hand of \$23.6 million at June 30, 2006. For the three months ended September 30, 2006 the company secured a further \$4.4 million of contracts, and executed \$11.6 million. The company had \$16.4 million of work-in-hand at September 30, 2006, of which \$1.8 million is expected to carry over into 2007.

Triton's revenue for the three months ended September 30, 2006 was \$11.6 million, declining 53% from \$24.5 million for the three months ended September 30, 2005. Triton incurred a loss before tax of \$0.8 million, compared to a loss before tax of \$0.9 million for the same period last year. During the quarter the company recognized \$1.0 million of earnings before tax associated with the collection of previously established provisions on construction contracts completed during 2005 and 2006. Kelly Smith, the recently appointed President of Triton, has been working with Churchill management to complete an assessment of the operational challenges at Triton. Management expects to move ahead with a new operating strategy for Triton over the next few months.

For the nine months ended September 30, 2006, Triton realized a loss before tax of \$1.3 million on contract revenue of \$41.2 million, compared to earnings before tax of \$0.6 million on revenue of \$69.4 million for the nine months ended September 30, 2005. The decrease in revenue is primarily related to planned restrictions and a reduction in secured work while the Corporation completed its strategic review of operations. The decrease in revenue coupled with losses on several projects, which were partially offset by recoveries on provisions recorded in prior periods, is responsible for the loss year-to-date.

Industrial Insulation Contracting

Fuller Austin and Northern Industrial Insulation had combined work-in-hand of \$28.3 million at June 30, 2006. For the three months ended September 30, 2006, they secured a further \$16.2 million of contracts, and executed \$21.8 million. The companies had \$22.7 million of work-in-hand at September 30, 2006, of which \$8.4 million is expected to carry over into 2007.

Revenue for the three months ended September 30, 2006 increased to \$21.8 million, compared to \$20.9 million for the three months ended September 30, 2005. Earnings before tax increased by 40% to \$2.1 million for the three months ended September 30, 2006, compared to earnings before tax of \$1.5 million for the same period last year. The primary reason for the improved earnings was the increased regional activity from Saskatchewan and Manitoba at higher margin levels.

For the nine months ended September 30, 2006, the insulation companies realized earnings before tax of \$3.6 million on contract revenue of \$60.4 million, compared to earnings before tax of \$1.2 million on revenue of \$46.2 million for the nine months to September

30, 2005. The increased revenue as well as improved margins generated this significant improvement in earnings before tax.

Industrial Electrical Contracting

Laird had work-in-hand of \$50.1 million at June 30, 2006. For the three months ended September 30, 2006 the company secured a further \$40.2 million of contracts, and executed \$34.9 million. Activity levels in the quarter were particularly high due to construction activity from prior quarters which was deferred into the third quarter, as well as growth in a large contract for an oil sands client. The company had \$55.4 million of work-in-hand at September 30, 2006, of which \$32.4 million is expected to carry over into 2007.

For the three months ended September 30, 2006, Laird's revenue was \$34.9 million, an increase of 64% from \$21.3 million for the same period last year. This is the highest quarterly revenue in the company's history. Laird achieved earnings before tax of \$1.6 million for the three months ended September 30, 2006, compared to earnings before tax of \$0.8 million for the same period last year. The 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 nine months ended September 30, 2006, Laird realized earnings before tax of \$2.7 million on contract revenue of \$73.3 million, compared to earnings before tax of \$1.9 million on revenue of \$60.3 million for the nine months to September 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. The company has successfully diversified its customer base such that it is presently active on multiple oil sands sites for various clients.

Corporate and Other

For the three months ended September 30, 2006, the Corporate and Other segment incurred \$0.6 million of indirect and administrative expenses including net interest costs, as compared to \$0.7 million for the three months ended September 30, 2005.

For the nine months ended September 30, 2006, the Corporate and Other segment incurred \$2.4 million of indirect and administrative expenses including net interest costs, as compared to \$2.5 million for the same period in 2005. The decrease in indirect and administrative expenses resulted from costs associated with consultants and the Special Committee of the Board of Directors incurred in the comparable period in 2005. This decrease was partially offset by costs incurred related to systems improvements, process re-engineering and personnel costs to accommodate the current level of activity.

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 \$24.1 million at September 30, 2006 as compared to \$25.1 million at December 31, 2005. The decrease in working capital from December 31, 2005 was due to the

classification of \$4.0 million as a long term asset due to agreements related to a restriction in its use, offset partially by an increase in working capital due to greater activity levels.

Capital expenditures for the three months ended September 30, 2006 were \$1.6 million. Expenditures associated with the relocation and expansion of Stuart Olson's southern Alberta office accounted for \$1.0 million, replacing and expanding the vehicle fleet accounted for \$0.4 million; upgrading computer equipment accounted for \$0.1 million; with the balance spent on miscellaneous construction and office equipment.

The Corporation remains a partner in two joint ventures, with a third being wound down in the third quarter. 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 third quarter of 2006, the Corporation repaid \$0.1 million of the demand term loan and \$0.2 million of long term debt in accordance with the repayment schedules and the contractual obligations as described in previous quarters and the 2005 Annual Report. An additional \$0.4 million was added to long term debt in the quarter related to the financing of new vehicles and computer systems.

Shareholders' equity was \$43.7 million at September 30, 2006, as compared to \$40.2 million at December 31, 2005. Share capital was reduced by \$0.3 million for shares cancelled with respect to the Laird share transaction and contributed surplus increased \$0.1 million during the nine months ended September 30, 2006 as a result of the accrual of stock-based compensation. Retained earnings increased by \$3.7 million from \$19.0 million at December 31, 2005, reflecting net earnings of \$4.4 million for the nine months reduced by \$0.7 million for the Laird share transaction which took place during the second quarter.

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

The Board of Directors of the Corporation has deferred the implementation of the executive share unit plan, pending approval of proposed amendments.

As at November 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)	September 30 2006 (Unaudited)	December 31 2005*
ASSETS		
Current assets		
Cash and equivalents	\$ 23,506	\$ 29,177
Accounts receivable	125,148	72,417
Inventories and prepaid expenses	2,756	1,724
Costs in excess of billings	-	13,127
Income taxes recoverable	5	3,310
	151,415	119,755
Long-term cash and equivalents	4,000	-
Future income tax assets	495	435
Property and equipment	17,398	15,556
Refundable deposit	-	1,000
Goodwill	7,315	7,315
Intangible assets	210	-
	\$ 180,833	\$ 144,061
LIABILITIES		
Current liabilities		
Line of credit	\$ 15,250	\$ 7,780
Accounts payable	79,312	81,775
Contract advances and unearned income	25,138	-
Income taxes payable	2,594	-
Future income tax liabilities	3,444	3,706
Current portion of long-term debt	822	597
Demand term loan	7,020	7,540
	133,580	101,398
Long-term debt	3,343	2,301
Future income tax liabilities	167	143
	137,090	103,842
SHAREHOLDERS' EQUITY		
Share capital	15,203	15,472
Contributed surplus	5,865	5,754
Retained earnings	22,675	18,993
	43,743	40,219
	\$ 180,833	\$ 144,061

* Figures excerpted from the 2005 audited consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(\$ thousands, except per share amounts)	Three months ended September 30 (Unaudited)		Nine months ended September 30 (Unaudited)	
	2006	2005	2006	2005
Contract revenue	\$ 145,453	\$ 120,608	\$ 378,881	\$ 341,040
Contract costs	132,080	110,958	344,450	313,680
Contract income	13,373	9,650	34,431	27,360
Interest income	240	52	552	217
Sundry income	40	113	409	423
Indirect and administrative expenses	(8,160)	(6,827)	(25,803)	(21,940)
Depreciation and amortization	(721)	(756)	(1,971)	(2,034)
Interest expense	(213)	(252)	(788)	(748)
Earnings before income taxes	4,559	1,980	6,830	3,278
Income tax expense				
Current income tax	(2,595)	3	(2,715)	38
Future income tax	1,073	(705)	298	(1,192)
	(1,522)	(702)	(2,417)	(1,154)
Net earnings	\$ 3,037	\$ 1,278	\$ 4,413	\$ 2,124
Net earnings per common share				
Basic	\$ 0.17	\$ 0.07	\$ 0.25	\$ 0.14
Fully diluted	\$ 0.16	\$ 0.07	\$ 0.24	\$ 0.14

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(\$ thousands)	Three months ended September 30 (Unaudited)		Nine months ended September 30 (Unaudited)	
	2006	2005	2006	2005
Retained earnings, beginning of period	\$ 19,638	\$ 16,045	\$ 18,993	\$ 15,199
Net earnings	3,037	1,278	4,413	2,124
Return of shares	-	-	(731)	-
Retained earnings, end of period	\$ 22,675	\$ 17,323	\$ 22,675	\$ 17,323

CONSOLIDATED STATEMENTS OF CASH FLOW

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	(Unaudited)		(Unaudited)	
	2006	2005	2006	2005
OPERATING ACTIVITIES				
Net earnings	\$ 3,037	\$ 1,278	\$ 4,413	\$ 2,124
Non-cash items				
Depreciation and amortization	721	756	1,971	2,034
Gain on disposal of property for sale	-	-	-	(210)
Loss (gain) on disposal of property and equipment	6	(3)	(4)	(8)
Future income tax	(1,073)	705	(298)	1,192
Stock-based compensation	32	18	111	89
	2,723	2,754	6,193	5,221
Net change in accounts receivable, inventories and prepaid expenses	(37,665)	(11,221)	(53,763)	(14,267)
Net change in accounts payable	12,046	6,130	(2,463)	(3,496)
Net change in contract advances and unearned income	15,557	3,053	38,265	(7,085)
Net change in income taxes payable/recoverable	2,999	176	5,899	927
	(4,340)	892	(5,869)	(18,700)
INVESTING ACTIVITIES				
Proceeds on disposal of property for sale	-	-	-	312
Long-term cash and equivalents	-	-	(4,000)	-
Proceeds on disposal of equipment	17	6	214	16
Additions to property and equipment	(1,588)	(538)	(3,232)	(2,192)
Additions to intangible assets	-	-	(253)	-
	(1,571)	(532)	(7,271)	(1,864)
FINANCING ACTIVITIES				
Issuance of common shares	-	90	-	3,780
Issuance of short-term debt	-	-	-	7,000
Proceeds under line of credit	8,300	-	15,770	-
Repayments under line of credit	(6,400)	-	(8,300)	-
Issuance of long-term debt	408	8,004	1,050	8,993
Repayment of long-term debt	(204)	(8,005)	(531)	(9,432)
Repayment of demand term loan	(130)	-	(520)	-
Redemption of term deposit	-	4,000	-	4,000
	1,974	4,089	7,469	14,341
(Decrease) increase in cash	(3,937)	4,449	(5,671)	(6,223)
Cash, beginning of period	27,443	1,047	29,177	11,719
Cash, end of period	\$ 23,506	\$ 5,496	\$ 23,506	\$ 5,496

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) twelve months, 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 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.

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