



ZCL Composites Reports Strong Growth

Edmonton, Alberta, May 5, 2008—ZCL Composites Inc. (TSX: ZCL) reported financial results for the first quarter ended March 31, 2008, compared with a year earlier.

“ZCL achieved strong revenue and earnings growth for the first quarter of 2008 compared with a year earlier,” said Ven Côté, ZCL’s President and Chief Executive Officer. “The growth was driven by improved performance in our Canadian operations and the acquisition of Xerxes Corporation in the first quarter of last year. We believe that, with our superior, environmentally friendly fibreglass products and our attractive market opportunities, we are well positioned for continued growth as the year progresses.”

Highlights of the first quarter of 2008 were:

- Revenue of \$23.8 million, up 59% from \$14.9 million in Q1 07
- Net income of \$1.4 million, up significantly from \$77,000 in Q1 07
- Diluted earnings per share of \$0.05 compared with nil in Q1 07

Canadian revenue totalled \$10.3 million in the first quarter of 2008, an increase of 14% from \$9.0 million a year earlier. This improvement reflects increased sales to upstream, downstream and industrial customers. U.S. revenue totalled \$13.5 million in the quarter, up 128% from \$5.9 million from the acquisition date of February 22, 2007 to March 31, 2007. This increase reflects a full three months of revenue from Xerxes in the first quarter of 2008 compared with just over a month in the first quarter of 2007, and increased product sales to a contractor for tank lining installations primarily in the state of Florida.

Targets Compared With Results

The first quarter results were consistent with internal expectations. The 2008 targets for revenue growth and EBITDA (earnings before interest, taxes, depreciation and amortization) as a percentage of revenue are unchanged from the targets previously disclosed in March 2008. The 2008 revenue target is for growth of more than 20% compared with 2007. The 59% revenue growth in the first quarter exceeded the annual target, but management expects year-over-year revenue growth to moderate in the remaining three quarters of 2008 due to the timing of the acquisition of Xerxes on February 22, 2007.

The EBITDA target for 2008 is to achieve a margin of 16.0% of revenue, compared with 13.9% in 2007. While the first quarter 2008 EBITDA margin of 11.6% was below the target, it represented an improvement from 7.8% of revenue a year earlier. As in 2007, the EBITDA margin is expected to improve in subsequent quarters relative to the first quarter.

Key Factors Affecting Outlook

“As we look forward to the remainder of 2008 and beyond, we see many reasons for optimism,” said Mr. Côté. “One of the opportunities is growing our presence in the water and wastewater

market. We currently have a very small share of this substantial market, but believe that our structurally strong, corrosion resistant, lightweight, watertight and easy to install fibreglass tanks are an ideal alternative to the concrete products that have traditionally dominated this market. Over the past few years, our U.S. operations have generated strong growth in water and wastewater sales. To further capitalize on this opportunity, sales resources are being expanded and dedicated to this market in both Canada and the U.S. Over time, we believe this fast growing part of our business may become larger than the market for our petroleum storage solutions.”

“While there is opportunity in the water and wastewater market, petroleum liquid storage solutions remain the largest and most important part of our business. This is why we take significant pride in the recently announced three year contract extension with Petro-Canada and the two year contract with Les Petroles Therrien announced earlier this year. These contracts show a continued expression of confidence in ZCL and our ability to consistently supply high quality products and a value added approach to customer service. We have every intention of capitalizing on the strength of our product solutions and approach to customer service to grow our presence in the petroleum market.”

One of the key opportunities in the petroleum market over the next couple of years remains the state of Florida, where a regulation has been adopted that requires all existing single wall underground petroleum storage tanks to be upgraded or replaced with a secondary containment system by the end of 2009. As noted in an article published in the Tampa Tribune in February 2008, “about 40% or 3,200 of the state’s gas stations have not yet complied.” This leaves approximately 10,000 plus tanks that need to be upgraded or replaced and represents significant short-term demand over 2008 and 2009, given that annual demand for the entire U.S. market is typically 12,000 to 15,000 tanks.

In the first quarter of 2008, ZCL experienced increased product sales to a contractor for tank lining installations primarily in Florida. ZCL’s tank sales in Florida in the first quarter of 2008 were relatively consistent with the Xerxes operations from January 1, 2007 to March 31, 2007 (including the portion of the quarter during which ZCL did not own Xerxes). ZCL expects that tank sales will ramp up as the December 31, 2009 deadline approaches.

In addition to the above, a few other reasons why we remain optimistic about the future include the following:

- The Steel Tank Institute’s (“STI”) decision in 2007 to reduce the warranty on new STI licensed tanks to 10 years from 30 years effective January 1, 2008. This decision should benefit ZCL as our warranty for fibreglass tanks remains intact at 30 years.
- Recent increases in the price of natural gas and the continued strong oil prices. Higher or steady prices should result in increased activity in the Canadian upstream market in future periods.
- Advances in U.S. policy favouring biofuels. In December 2007, the Energy Independence and Security Act was signed. This Act includes a renewable fuels standard and a schedule that calls for a fivefold increase in biofuels to a minimum of 36 billion gallons of ethanol and biodiesel by 2022, up from less than seven billion gallons in 2007. The increased use of biofuels should create additional tank opportunities. Biofuels also create a more corrosive environment which we believe favours corrosion resistant fibreglass tanks such as ZCL’s. Biofuels increase the presence of tank water bottoms, creating ideal conditions for the growth of naturally occurring, yet very corrosive microorganisms. This phenomenon is known as “Microbial Induced Corrosion” or “MIC”.

- Continued support in Asia for ZCL’s tank lining system, marketed under the Phoenix System™. Two sites were completed in Hong Kong in the first quarter which was consistent with a year ago. Activity over the remainder of 2008 with the Company’s main tank lining customer in Hong Kong is expected to be similar to 2007. The Company also believes there is potential for additional installations in South East Asia.

In addition to the growth prospects, a key objective that the Company continues to make progress on is the integration of the Canadian and U.S. operations. We continue to integrate operational and manufacturing best practices which are expected to result in product enhancements and efficiencies.

“With a number of growth opportunities we remain optimistic about our long-term profitable growth objective of 15% to 20% per annum and a medium-term objective of improving the EBITDA margin to 20% of revenue,” said Mr. Côté. “These targets reflect our expectations for organic growth and do not take into account growth related to potential new acquisitions. With our strong balance sheet, we believe we are well positioned to take advantage of strategic and accretive acquisition opportunities that may exist.”

Summary Financial Results

Three months ended March 31 (in thousands, except per share amounts)	2008	2007	% change
Revenue	\$23,797	\$14,945	59%
Net Income	\$1,353	\$77	1,657%
Net income per share (diluted)	\$0.05	\$0.00	--
Average number of shares (diluted)	26,596	24,186	10%

The Management’s Discussion and Analysis (“MD&A”) as well as the complete financial statements and notes for the first quarter of 2008 are available on the Company’s website at this link: www.zcl.com/investors/corpdisclosure.html. The Company’s unaudited interim Consolidated Balance Sheets, Consolidated Statements of Income and the Consolidated Statements of Cash Flows are attached.

Conference Call

ZCL Composites Inc. has scheduled an investor conference call for 9:00 a.m. MT (11:00 a.m. ET) on Tuesday, May 6, 2008, to discuss its financial and operating results for the first quarter ended March 31, 2008.

To access the conference call by telephone, please call 416-644-3421 from the Greater Toronto Area, or dial toll-free 1-800-732-9303 from elsewhere in North America. An audio webcast may be accessed through the investor events tab on the ZCL Composites website. Audio replays will be available on the ZCL Composites website shortly after the conclusion of the conference call.

About ZCL

ZCL Composites Inc. is North America’s largest underground fibreglass tank manufacturer. ZCL’s complete fuel storage systems marketed under the “Prezerver” trademark carry a \$2 million warranty against pollution.

Note on EBITDA

While EBITDA is not a financial measure under Generally Accepted Accounting Principles (GAAP), management uses it to make strategic decisions and set targets. Many financial analysts also use EBITDA to make investment decisions because it helps assess changes in ZCL's business across different time periods. Investors should not consider EBITDA as an alternative to net income, cash flow or other indicators of performance or liquidity which have been determined under GAAP. EBITDA does not have any standardized meaning prescribed by GAAP and may be different from, and therefore not comparable to, EBITDA measures used by other companies. A table has been included in the Company's MD&A for the first quarter of 2008 that reconciles net income from continuing operations to EBITDA.

Advisory Regarding Forward-Looking Statements

This document contains forward-looking statements under the heading "Key Factors Affecting Outlook" and elsewhere concerning future events or the Company's future performance, including the Company's projected operating results for 2008 and beyond, revenue and EBITDA targets, business opportunities in the petroleum, water/wastewater and other markets, anticipated capital expenditure trends and activity in the petroleum and other industries and markets served by the Company. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Actual events or results may differ materially from those reflected in the Company's forward-looking statements due to a number of known and unknown risks, uncertainties and other factors affecting the Company's business and the industries the Company serves generally. These factors, include, but are not limited to, fluctuations in the level of petroleum industry capital expenditures, drilling activity and oil and natural gas prices, and other factors that affect demand for the Company's products and services, industry competition, the need to effectively integrate acquired businesses, uncertainties as to the Company's ability to implement its business strategy effectively in Canada and the United States, political and economic conditions, the Company's ability to attract and retain key personnel, and other risks and uncertainties described under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2007, and elsewhere in other documents filed with Canadian provincial securities authorities. These documents are available to the public at www.sedar.com. The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this report should not be unduly relied upon. These statements speak only as of the date of this report. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on the Company's behalf, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities laws. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

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ZCL Composites Inc.

Consolidated Balance Sheets

As at March 31, 2008 and December 31, 2007

(Unaudited)

(in thousands of dollars)	March 31, 2008 \$	December 31, 2007 \$
ASSETS		
Current		
Cash and cash equivalents	2,580	2,033
Accounts receivable	16,578	16,595
Inventories	19,972	16,218
Income taxes recoverable	1,707	—
Prepaid expenses	503	661
Future tax assets	364	416
	41,704	35,923
Property, plant and equipment	21,715	20,749
Deferred development costs	758	819
Intangible assets	8,974	8,995
Goodwill	28,390	27,327
Other assets	555	555
	102,096	94,368
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	4,115	150
Accounts payable and accrued liabilities	12,492	10,886
Accrued pension liability	296	284
Income taxes payable	135	511
Deferred revenue	1,694	1,490
Dividends payable	3,173	—
Current portion of long term debt	1,960	1,960
	23,865	15,281
Future tax liabilities	4,686	4,623
Long term debt	5,998	6,978
	34,549	26,882
Commitments and contingencies		
Shareholders' equity		
Share capital	62,190	62,190
Contributed surplus	470	449
Accumulated other comprehensive loss	(6,869)	(8,729)
Retained earnings	11,756	13,576
	67,547	67,486
	102,096	94,368

ZCL Composites Inc.
Consolidated Statements of Income

For the three months ended March 31
(Unaudited)

(in thousands of dollars, except per share amounts)	2008 \$	2007 \$
Revenue	23,797	14,945
Manufacturing and selling costs	19,238	12,560
	4,559	2,385
General and administration	1,795	1,222
Amortization	817	752
Financing expense	133	345
	2,745	2,319
Income before income taxes	1,814	66
Income tax expense (recovery)		
Current	500	91
Future	(39)	(102)
	461	(11)
Net income	1,353	77
Earnings per share		
Basic	\$0.05	\$0.00
Diluted	\$0.05	\$0.00

ZCL Composites Inc.
Consolidated Statements of Cash Flows

For the three months ended March 31
(Unaudited)

(in thousands of dollars)	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	1,353	77
Add items not affecting cash:		
Amortization expense	817	752
Future tax recovery	(39)	(102)
Stock-based compensation expense	21	55
	2,152	782
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	123	(2,542)
Increase in inventories	(3,296)	(1,410)
Decrease (increase) in prepaid expenses	218	(105)
Increase in accounts payable and accrued liabilities	1,371	105
Increase in deferred revenue	160	246
Decrease in income taxes payable	(2,093)	(1,646)
Cash flows used in operating activities	(1,365)	(4,570)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of common shares	—	37,696
Net advances of bank indebtedness	3,965	3,698
Cash received on long term debt	—	20,000
Repayment of long term debt	(1,000)	(10,000)
Cash flows from financing activities	2,965	51,394
CASH FLOWS FROM INVESTING ACTIVITIES		
Business acquisition, including bank indebtedness assumed and repaid	—	(52,648)
Purchase of property, plant and equipment	(1,128)	(663)
Other	—	(74)
Cash flows used in investing activities	(1,128)	(53,385)
Foreign exchange gain (loss) on cash held in foreign currency	75	(14)
Increase (decrease) in cash and cash equivalents	547	(6,575)
Cash and cash equivalents, beginning of the period	2,033	7,802
Cash and cash equivalents, end of the period	2,580	1,227