

Attention Business/Financial Editors:  
ZCL Composites Inc. Reports First Fiscal Quarter Results

EDMONTON, May 10 /CNW/ - ZCL Composites Inc. (TSX:ZCL) today announced results for the first quarter ended March 31, 2007. Revenue for the first quarter increased by 9.4% to \$14.9 million from \$13.7 million for the same quarter last year. The increase in revenue was due to the acquisition of Xerxes Corporation ("Xerxes"). Financial results of Xerxes are included from February 22, 2007, the date of the acquisition, to March 31, 2007. Xerxes' revenue of \$5.9 million was a particularly strong start of activities on the United States west coast as compared to last year. On the Canadian side, sales of \$9.0 million were \$4.7 million lower than the same period in the prior year. The prior year quarter was very strong in both the downstream and upstream markets. For the quarter ended March 31, 2007, with lower natural gas prices, a scarcity of human resources in the industry and the escalating costs in the oilfield services industry, many of ZCL's customers in the upstream and downstream markets delayed making purchases.

With lower Canadian sales, an after tax loss of \$458,000 was incurred in Canada, while the US operations generated an after tax profit of \$535,000. Therefore, net income for the quarter was \$77,000 compared to \$1.3 million from continuing operations last year. With higher overall costs incurred as a result of the acquisition and other one time costs, net earnings were lower than last year but not unexpected. Basic and diluted earnings per share were \$0.00, as compared to \$0.07 and \$0.06 for basic and fully diluted earnings per share respectively for the same quarter last year. On discontinued operations the basic and diluted earnings per share this quarter were \$0.00 and \$0.01 for the same quarter last year.

Cash generated by operations before changes in working capital during the first quarter this year was \$0.8 million, compared to \$2.1 million last year. This decrease was largely due to the lower net income quarter over quarter. Cash generated by financing activities of \$51.4 million was primarily a result of raising \$51.1 million of equity and debt financing to fund the acquisition of Xerxes and \$0.3 million from the exercise of options and warrants. Cash used in investing activities was primarily attributable to the cash used to acquire Xerxes of \$52.6 million. Property, plant and equipment additions were \$0.7 million during the first quarter this year as compared to \$0.1 million for the same quarter last year.

"Xerxes' addition to the ZCL group means that we are entering the US market two years ahead of schedule with the acquisition of a formidable competitor. Xerxes is the market leader and has new products that will benefit ZCL on both sides of the border." said Ven Côté, President and CEO who went on to say: "Xerxes is a well managed company and together we are poised to grow revenues and earnings, a priority for existing and new shareholders alike. Not only are we entering the largest market in North America, but we are now poised to expand our international presence and to make our vision a reality."

ZCL Composites Inc. trades on the Toronto Stock Exchange under the symbol "ZCL" and now is North America's largest underground tank manufacturer. ZCL's complete fuel storage systems marketed under the "Prezerver" trademark carry a \$2 million warranty against pollution.

The unaudited consolidated financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles. Certain information in this news release may constitute forward-looking statements that are based on current expectations and are subject to risks and uncertainties. Many internal and external factors may cause actual results to differ materially from those expressed or implied. The Company disclaims any intention or obligation to update or revise any such forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required by applicable securities laws.

## ZCL Composites Inc.

## CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at	March 31,	December 31,
(in thousands of dollars)	2007	2006
	\$	\$
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<b>ASSETS</b>		
Current		
Cash	1,227	7,802
Accounts receivable	16,205	7,483
Inventories	21,832	10,807
Prepaid expenses	1,266	142
Future tax assets	168	11
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	40,698	26,245
Property, plant and equipment	16,830	10,588
Deferred costs	1,059	1,050
Intangible assets	11,898	687
Goodwill	32,965	1,991
Other assets	1,288	854
Future tax assets	628	-
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	105,366	41,415
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<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Bank indebtedness	3,698	-
Accounts payable and accrued liabilities	12,673	5,329
Income taxes payable	166	1,398
Deferred revenue	1,142	896
Dividends payable	2,600	-
Current portion of long term debt	2,000	-
Future tax liabilities	34	180
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	22,313	7,803
Government grants	134	136
Future tax liabilities	7,235	1,228
Long term debt	8,000	-
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	37,682	9,167
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Commitments and contingencies		
Shareholders' equity		
Share capital	61,700	23,135
Contributed surplus	423	452
Accumulated other comprehensive loss	(577)	-
Retained earnings	6,138	8,661
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	67,684	32,248
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	105,366	41,415
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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND  
COMPREHENSIVE LOSS

## (Unaudited)

For the three months ended March 31, 2007 &amp; 2006

	Common Shares	Share Capital	Contri- -buted Surplus	Accu- -mulated Other Compre- -hensive Loss	Re- -tained Earn- -ings	Total	Compre- -hensive loss
(in thousands Of dollars)	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2006	21,681,445	23,135	452	-	8,661	32,248	-
Common shares issued for cash	4,000,000	38,179	-	-	-	38,179	-
Shares issued on exercise of options	125,000	119	-	-	-	119	-
Warrants exercised for cash	192,500	183	-	-	-	183	-
Stock-based compensation	-	-	55	-	-	55	-
Reclass- -ification of fair value of stock options and warrants previously expensed	-	84	(84)	-	-	-	-
Translation of self- -sustaining foreign operations	-	-	-	(577)	-	(577)	(577)
Dividends	-	-	-	-	(2,600)	(2,600)	-
Net income	-	-	-	-	77	77	77
Balance, March 31, 2007	25,998,945	61,700	423	(577)	6,138	67,684	(500)
Balance, December 31, 2005	18,070,551	19,405	310	-	5,072	24,787	-
Stock options exercised	312,000	324	-	-	-	324	-
Warrants exercised	1,736,402	1,650	-	-	-	1,650	-
Stock-based compensation	-	-	56	-	-	56	-
Reclass- -ification of fair value of stock	-	-	-	-	-	-	-

options and warrants previously expensed	-	18	(18)	-	-	-	-
Net income	-	-	-	-	1,614	1,614	-
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Balance, March 31, 2006	20,118,953	21,397	348	-	6,686	28,431	-
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CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

For the three months ended March 31

(in thousands of dollars)	2007 \$	2006 \$
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Revenue	14,945	13,661
Manufacturing and selling costs	12,560	10,645
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	2,385	3,016
Amortization	752	386
General and administration	1,222	647
Financing charges	345	47
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Income before income taxes	66	1,936
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Income taxes		
Current	91	687
Future	(102)	(46)
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	(11)	641
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Net income from continuing operations	77	1,295
Net income from discontinued operations	-	319
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Net income	77	1,614
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Basic earnings per share		
Net income from continuing operations	0.00	\$0.07
Net income from discontinued operations	-	\$0.01
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Net income	0.00	\$0.08
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Diluted earnings per share		
Net income from continuing operations	0.00	\$0.06
Net income from discontinued operations	-	\$0.01
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Net income	0.00	\$0.07
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CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

For the three months ended March 31

(in thousands of dollars)	2007 \$	2006 \$
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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	77	1,614
Add items not affecting cash:		
Amortization expense	752	386
Future tax recovery	(102)	(3)
Stock based compensation expense	55	56
	782	2,053
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Changes in non-cash working capital:		
Increase in accounts receivable	(2,542)	(1,262)
Increase in inventories	(1,410)	(671)
(Increase) decrease in prepaid expenses	(105)	63
Increase in accounts payable and accrued liabilities	105	455
Increase in deferred revenue	246	-
(Decrease) increase in income taxes payable	(1,646)	186
	(4,570)	824
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<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of common shares	37,696	1,974
Net advances (repayment) of bank indebtedness	3,698	(2,663)
Net cash received on long term debt	20,000	-
Repayment of long term debt	(10,000)	-
Cash flows from (used in) financing activities	51,394	(689)
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<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Business acquisition, including bank indebtedness assumed and repaid	(52,648)	-
Purchase of property, plant and equipment	(663)	(135)
Other	(74)	-
	(53,385)	(135)
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Foreign exchange loss on cash held in foreign currency	(14)	-
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Decrease in cash	(6,575)	-
Cash, beginning of the period	7,802	-
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Cash, end of the period	1,227	-
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CNW 07:00e 10-MAY-07