



ZCL Composites Inc. Reports Fourth Fiscal Quarter and Year End Results and Declares Annual Dividend

For Immediate Release

Edmonton, Alberta June 20, 2006 ... ZCL Composites Inc. (TSX: ZCL) is pleased to report record results for the fourth fiscal quarter and year ended March 31, 2006

Revenue for the year ended March 31, 2006 was a record \$46.2 million, a 19.1% increase over the previous year ending March 31, 2005. Net income increased by \$0.3 million for the year, to a record \$3.7 million with basic earnings per share of \$0.20 and diluted earnings per share of \$0.18.

During 2006, the Company settled certain accounts from an operation that was discontinued in 1999 generating an after tax income of \$0.3 million. Net income from continuing operations is \$3.4 million for the year ended March 31, 2006 while net income is \$3.7 million.

In the fourth quarter, revenue was a record \$13.7 million this year, up by 31.7% from \$10.4 million last year. Net income for the fourth quarter increased to \$1.6 million from \$1.2 million for the same quarter last year. Basic earnings per share of \$0.08 were slightly higher than the fourth quarter 2006 earnings per share of \$0.07, and diluted earnings per share of \$0.07 were \$0.01 higher than the \$0.06 of the fourth quarter 2005.

Net income from continuing operations for the fourth quarter was \$1.3 million or \$0.07 basic earnings per share, which was 12.5% higher than the net income from continuing operations of \$1.2 million or \$0.07 per share earnings for the fourth quarter of 2005. Fully diluted earnings per share on net income from continuing operations were \$0.06, level with the fully diluted earnings per share of \$0.06 from the same period in 2005.

“As pointed out in our third quarter report, price increases have begun to take effect and have translated into increased profits for this quarter, a trend that we expect to keep well into the next fiscal year” said Ven Côté, President and CEO who went on to say: “Quarterly revenue in 2006 was higher than each and every quarter in 2005, another trend that we expect to maintain going into this new fiscal year.”

The overall increase in revenue was primarily due to a combination of factors including the acquisition of Triple M Fiberglass Mfg. Ltd. (“Triple M”) on April 1, 2005 and the continued increased demand for our products sold to the upstream sector of the Oil & Gas industry. The outlook for this market sector, as well as other traditional markets of the Company, remains very positive. The order backlog is strong and the new year is very promising.

The home heating oil tanks operation did not generate the sales response we had anticipated despite the investments made in advertising, trade shows, travel and technical support. As a result, included in the net income figures above is a pre tax loss of \$1.0 million compared to a pre tax loss of \$0.3 million last year for the home heating oil tank segment. We remain encouraged about the potential for this significant market opportunity and hope to report positive contribution from this initiative in next year's report.

Cash flows from operating activities of \$2.6 million in 2006 were slightly higher than the \$2.3 million in 2005. The increases in accounts receivable and inventory were a result of stronger business activities.

In 2006, dividends of \$1.4 million were paid (2005 - \$1.1 million) and common shares were issued for cash of \$2.1 million upon the exercise of share options and warrants (2005 - \$411,000). Cash used in investing activities increased by \$2.6 million, to \$4.7 million this year from \$2.1 million in 2005. During 2006, the Company purchased 100% of the shares of Triple M for \$2.0 million compared to the purchase of the business assets of Durex for cash of \$1.2 million in 2005.

During the fourth quarter of 2006, the Company signed a five year agreement with a US supplier for the exclusive sale and installation of the "The Phoenix System®" within the State of Florida. This system utilizes Parabeam, a patented three dimensional glass fabric, to create an internal lining for the secondary containment of underground storage tanks. Internationally, there is a very large and growing need for upgrading both underground and aboveground liquid storage tanks, driven by environmental legislation and industry standards requiring secondary containment for storage of hazardous liquids. There are significant opportunities to establish ZCL's tank lining technologies as the preferred method of upgrading single wall tanks. The potential annual market in North America is estimated to be in excess of \$300 million and, at this time, there are no comparable or alternative lining products in the marketplace.

The Company decided to change its fiscal year end from March 31 to December 31 to coincide with companies involved in the oil and gas industry. The next fiscal year end will be for the nine months ending December 31, 2006. Appropriate comparisons and reconciliations will be provided in all financial disclosures during the upcoming transition periods.

The company is pleased to announce the payment of the Company's annual dividend in the amount of \$0.10 per common share. This annual dividend is for all shareholders of record as of June 26, 2006 and will be paid on August 4, 2006.

The Board reviewed the year end results, assessed the overall financial strength of the balance sheet and the ongoing performance of the various operations within ZCL coupled with the continued success of its strategic growth plan.

The Board then decided to declare its annual dividend increasing it to \$0.10 per share which is 25% higher than the dividend declared last fiscal year.

“This dividend payment illustrates the Board’s confidence in the financial strength and the ongoing growth of the Company’s operational activities” said Mr. Fred Dymont, a member of the Board and the Chairman of the Audit Committee. Mr. Ven Cote, President and CEO of ZCL went on to say, “I am very appreciative of our employee’s dedication and hard work and with the Board’s vote of confidence reflected in this dividend payment”

ZCL Composites Inc. trades on the Toronto Stock Exchange under the symbol “ZCL” and is Canada’s largest manufacturer of fiberglass underground storage tanks. ZCL’s complete fuel storage systems marketed under the “Prezerver” trademark.

The 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.

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ZCL Composites Inc.**CONSOLIDATED BALANCE SHEETS
(Unaudited)**

As at March 31

(in thousands of dollars)	2006 \$	2005 \$
ASSETS		
Current		
Cash	—	1,383
Accounts receivable	12,654	11,294
Inventories	9,422	7,120
Prepaid expenses	310	548
Future tax assets	48	250
	22,434	20,595
Property, plant and equipment	9,901	8,246
Deferred costs	1,165	707
Intangible assets	1,066	1,085
Goodwill	1,991	1,991
	36,557	32,624
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	114	—
Accounts payable and accrued liabilities	5,699	6,337
Income taxes payable	447	1,336
Future tax liabilities	256	24
	6,516	7,697
Government grants	143	151
Future tax liabilities	1,467	947
	8,126	8,795
Commitments and contingencies		
Shareholders' equity		
Share capital	21,397	19,277
Contributed surplus	348	171
Retained earnings	6,686	4,381
	28,431	23,829
	36,557	32,624

ZCL Composites Inc.

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Periods ended March 31

(in thousands of dollars)	Three months		Twelve months	
	2006	2005	2006	2005
	\$	\$	\$	\$
Revenue	13,662	10,372	46,166	38,756
Manufacturing and selling costs	10,646	7,734	36,876	29,669
	3,016	2,638	9,290	9,087
Amortization	386	332	1,497	1,758
General and administration	647	622	2,255	2,029
Financing charges	47	18	266	73
Income before income taxes	1,936	1,666	5,272	5,227
Income taxes				
Current	687	290	1,504	1,192
Future	(46)	225	344	555
	641	515	1,848	1,747
Net income from continuing operations	1,295	1,151	3,424	3,480
Net income from discontinued operations	319	—	319	—
Net income	1,614	1,151	3,743	3,480
Basic earnings per share				
Net income from continuing operations	\$0.07	\$0.07	\$0.19	\$0.20
Net income from discontinued operations	\$0.01	—	\$0.01	—
Net income	\$0.08	\$0.07	\$0.20	\$0.20
Diluted earnings per share				
Net income from continuing operations	\$0.06	\$0.06	\$0.17	\$0.18
Net income from discontinued operations	\$0.01	—	\$0.01	—
Net income	\$0.07	\$0.06	\$0.18	\$0.18

ZCL Composites Inc.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)**

Periods ended March 31

(in thousands of dollars)	Three months		Twelve months	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash flows from operating activities				
Net income	1,614	1,151	3,743	3,480
Add items not affecting cash:				
Amortization expense	386	332	1,497	1,758
Future tax expense	(46)	225	344	555
Stock based compensation	56	—	195	107
	2,010	1,708	5,779	5,900
Changes in non-cash working capital:				
Increase in accounts receivable	(1,262)	(3,992)	(212)	(4,931)
Increase in inventories	(671)	206	(1,193)	(1,436)
Decrease (increase) in prepaid expenses	63	(257)	246	(360)
Decrease (increase) in accounts payable	494	1,296	(1,494)	1,812
Decrease (increase) in income tax payable	546	416	(565)	1,301
Cash flows from operating activities	1,180	(623)	2,561	2,286
Cash flows from financing activities				
Issue of common shares	1,974	109	2,102	411
Dividends	—	—	(1,438)	(1,051)
Net advances of bank indebtedness	(2,663)	—	114	—
Cash flows from financing activities	(689)	109	778	(640)
Cash flows from investing activities				
Business acquisition	—	—	(2,597)	(1,193)
Purchase of property, plant and equipment	(333)	(156)	(921)	(432)
Purchase of intangible assets	—	—	(369)	—
Deferred development costs	(158)	(76)	(835)	(518)
Cash flows used in investing activities	(491)	(232)	(4,722)	(2,143)
Decrease in cash	—	(746)	(1,383)	(497)
Cash, beginning of the period	—	2,129	1,383	1,880
Cash, end of the period	—	1,383	—	1,383