



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

For Immediate Release

Edmonton, Alberta June 7, 2005 ... ZCL Composites Inc. (TSX:ZCL) is pleased to report record results for the fourth fiscal quarter and year ended March 31, 2005.

Revenue for the year ended March 31, 2005 increased by 14.2% to a record \$38.8 million, from \$33.9 million for the year ended March 31, 2004. Net income increased by \$1.5 million for the year, to a record \$3.5 million from \$2.0 million last year. Basic earnings per share increased by \$0.09, to \$0.20 from \$0.11 in 2004, and diluted earnings per share increased to \$0.18 in 2005 from \$0.11 last year.

In the fourth quarter, revenue was a record \$10.4 million this year, up by 31.3% from \$7.9 million last year. Net income for the fourth quarter increased to \$1.2 million from \$485,000 for the quarter last year. Basic earnings per share increased by \$0.04, to \$0.07 from \$0.03 for the quarter in 2004, and diluted earnings per share increased to \$0.06 for the fourth quarter in 2005 from \$0.03 last year.

Revenue in fiscal 2005 was higher than 2004 in each quarter, except for the first quarter where activity started slow but picked up during the quarter. The second, third and fourth quarters of 2005 once again established new record levels. Historically, the first and fourth fiscal quarters have the lowest levels of activity, corresponding to the seasonality of the installation of underground liquid storage systems in Canada.

Activity in the downstream and upstream sectors of the petroleum industry, as well as other traditional markets, continued to be strong throughout 2005. Products introduced in recent years - home heating oil tanks, ProtektorTM and Pinnacle oilfield tanks, filament wound pressure vessels, and custom storage and lining systems – as well as new steel products with the acquisition of the business assets of Durex Steel & Alloy Industries Ltd. (“Durex”), continue to gain market acceptance and contribute to revenue.

The increase in net income in 2005 was due largely to the higher revenue. In addition, amortization expense decreased from 2004 as certain deferred costs related to past start-up operations and acquisitions were fully amortized during the year, and financing charges were lower as a result of the repayment of long-term debt in 2004. Net income in 2004 was also reduced by \$880,000 (\$580,000 after tax, or \$0.03 per share) due to the provision for impairment of the agreement receivable from ZCL Enviro Systems, Inc.

Cash flows from operating activities decreased by \$3.8 million, to \$2.3 million in 2005 from \$6.1 million in 2004, due to the timing of sales (high sales late in the fourth quarter with the resulting high level of accounts receivable at March 31, 2005) and the build-up of inventories this year. Cash used in financing activities decreased by \$4.2 million, to \$640,000 this year from \$4.8 million in 2004. In 2005, dividends of \$1.1 million were paid and common shares were issued for cash of \$411,000 upon the exercise of share options and warrants. In 2004, long-term debt of \$4.6 million was repaid and \$189,000 of common shares were repurchased under the normal course issuer bid. Cash used in investing activities increased by \$1.4 million, to \$2.1 million this year from \$722,000 in 2004, largely as a result of the purchase of the business assets of Durex for cash of \$1.2 million.

During the year, the Company acquired the business assets of Durex, located in Edmonton, Alberta. Durex manufactures steel aboveground storage tanks. Cash consideration was \$1.2 million, including acquisition costs. Subsequent to March 31, 2005, the Company acquired 100% of the shares of Triple M Fiberglass Mfg. Ltd. (“Triple M”) also located in Edmonton, Alberta. Triple M manufactures fiberglass aboveground and underground tanks, vessels, pipe and other environmental products. The purchase price, subject to final adjustments, of approximately \$1.9 million was paid in cash on closing.

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A current focus of the Company is the final testing and marketing of tank lining technologies. New lining materials and processes have been developed in conjunction with customers and suppliers to deliver a product with superior quality and performance and inherently safe installation techniques. Product development costs of \$518,000 were deferred during the year (2004 - \$141,000). Final field testing is scheduled to be completed in the early part of fiscal 2006. With the imminent listing by Underwriters' Laboratories (UL) and Underwriters' Laboratories of Canada (ULC), this new product is expected to add to revenue this fiscal year. Lining systems will be cautiously introduced to the marketplace and the lining program will be ramped up as field experience is gained and qualified applicators are trained in all aspects of this new system.

Another focus is the marketing of home heating oil tanks. Following the UL approval of these tanks for the USA market, marketing and sales activities commenced in the New England states during the latter part of the year. Heating or furnace oil is used for heating in about 8 million households in North America, largely Eastern Canada and North-Eastern USA. A growing concern is the environmental and liability problems resulting from leaking tanks, and the Company's fiberglass products offer a new level of security for home owners, insurance companies and lenders.

The Company has alliance agreements and long-term contracts with many of its key customers. A number of major long-term contracts were signed during the year, as well as two further contracts announced subsequent to March 31, 2005.

"These relationships are the foundation of our success and reflect our commitment to consistently supply high-quality products and services," said Ven Côté, President and CEO. "Our lining products leverage our core competencies and customer relationships and adapt proven technology from our double wall tank manufacturing processes."

"We are focused on the profitable growth of our business, through both internal expansion and acquisitions," added Mr. Côté. "With continued strength in our traditional markets, and growth of new products, we are confident we can meet our revenue growth objective of 15% to 20% for the next year."

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 carry a \$2 million warranty against pollution.

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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(tables follow)

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CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at March 31	2005	2004
(in thousands of dollars)	\$	\$
Assets		
Current		
Cash	1,383	1,880
Accounts receivable	11,294	6,363
Inventories	7,120	5,556
Prepaid expenses	548	188
Future tax assets	250	699
	20,595	14,686
Property, plant and equipment	8,246	7,814
Deferred costs	707	717
Intangible assets	1,085	1,324
Goodwill	1,991	1,926
	32,624	26,467
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	6,337	4,525
Income taxes payable	1,336	35
Future tax liabilities	24	27
	7,697	4,587
Government grants	151	160
Future tax liabilities	947	838
	8,795	5,585
Shareholders' equity		
Share capital	19,277	18,853
Contributed surplus	171	77
Retained earnings	4,381	1,952
	23,829	20,882
	32,624	26,467

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CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Unaudited)

Periods ended March 31	Three months		Twelve months	
	2005	2004	2005	2004
(in thousands of dollars, except per share amounts)	\$	\$	\$	\$
Revenue	10,372	7,901	38,756	33,932
Manufacturing and selling costs	7,734	6,300	29,669	25,966
	2,638	1,601	9,087	7,966
Amortization	332	464	1,758	1,968
General and administration	622	467	2,029	1,873
Provision for impairment of agreement receivable	--	--	--	880
Financing charges	18	114	73	370
Income before income taxes	1,666	556	5,227	2,875
Income taxes				
Current	290	(59)	1,192	(42)
Future	225	130	555	965
	515	71	1,747	923
Net income for the period	1,151	485	3,480	1,952
Retained earnings (deficit), beginning of the period	3,230	1,467	1,952	(9,043)
Deficit elimination	--	--	--	9,043
Dividends	--	--	(1,051)	--
Retained earnings, end of the period	4,381	1,952	4,381	1,952
Basic earnings per share	\$0.07	\$0.03	\$0.20	\$0.11
Diluted earnings per share	\$0.06	\$0.03	\$0.18	\$0.11

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Periods ended March 31	Three months		Twelve months	
	2005	2004	2005	2004
(in thousands of dollars)	\$	\$	\$	\$
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Cash Flows from Operating Activities				
Cash receipts from customers	6,407	6,992	33,782	33,996
Cash paid to suppliers and employees	(7,021)	(6,577)	(31,444)	(27,714)
Interest received (paid)	(14)	16	(69)	(176)
Income taxes recovered (paid)	5	40	17	(5)
	(623)	471	2,286	6,101
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Cash Flows from Financing Activities				
Issue of common shares	109	--	411	--
Dividends	--	--	(1,051)	--
Repayment of long-term debt	--	--	--	(4,643)
Repurchase of common shares for cancellation	--	--	--	(189)
	109	--	(640)	(4,832)
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Cash Flows from Investing Activities				
Business acquisition	--	--	(1,193)	--
Purchase of property, plant and equipment	(156)	(159)	(432)	(581)
Deferred development costs	(76)	(141)	(518)	(141)
	(232)	(300)	(2,143)	(722)
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Increase (decrease) in cash	(746)	171	(497)	547
Cash, beginning of the period	2,129	1,709	1,880	1,333
Cash, end of the period	1,383	1,880	1,383	1,880

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