



ZCL Composites Inc. Reports First Fiscal Quarter Results

For Immediate Release

Edmonton, Alberta August 8, 2005... ZCL Composites Inc. (TSX:ZCL) today announced results for the first quarter ended June 30, 2005. Revenue increased by 31.4% to a record first quarter \$8.3 million from \$6.3 million last year. Net income for the quarter increased to \$244,000 from \$72,000 last year. Basic and diluted earnings per share were \$0.01, as compared to \$0.00 for the quarter last year.

The increase in revenue for the quarter was primarily due to the acquisition of Triple M Fiberglass Mfg. Ltd. ("Triple M") in April 2005, along with the steel tank manufacturing business purchased from Durex Steel & Alloy Industries Ltd. ("Durex") in May 2004. In addition, the continued strong level of activity in the downstream and upstream sectors of the petroleum industry, as well as other market sectors, contributed to the increased revenue. The outlook for these market sectors remains very positive for this fiscal year. As was the case last year, after a slow start due to cool and wet weather, activity and the order backlog picked up during the quarter. The second quarter is also off to a strong start. Inventories have been maintained at higher levels to meet orders and deliveries. Historically, the first and fourth fiscal quarters have lower levels of activity, corresponding to the seasonality of the installation of underground liquid storage systems in Canada.

The increase in net income in the first quarter was largely due to the higher revenue and positive contribution from the acquisition of Triple M. Overall margins have been maintained at similar levels as last year. In addition, amortization decreased in the first quarter this year as certain deferred costs were fully amortized in the third quarter of last year. Financing charges were higher in the quarter this year due to increased utilization of the bank operating lines of credit and foreign exchange losses.

Cash flows from operating activities during the first quarter this year were \$437,000, after payment of income taxes of \$1.2 million, compared to \$528,000 of cash used in operating activities last year. This increase was largely due to the timing of sales and collection of accounts receivable, the higher level of operations and the acquisition of Triple M. The second annual dividend of \$0.08 (2004 – \$0.06) per common share was declared in the first quarter this year and dividends of \$1.4 million (2004 - \$1.1 million) were paid on August 4, 2005. The shares of Triple M were acquired for cash of \$2.6 million, including bank indebtedness assumed, in the first quarter this year, and the business assets of Durex were purchased for cash of \$1.2 million in the first quarter last year.

The Company continues to focus on the marketing of home heating oil tanks and the final testing and marketing of its tank lining technologies. Marketing and sales of home heating oil tanks commenced in the New England states in the latter part of last fiscal year, following the Underwriters' Laboratories ("UL") approval of these tanks for the USA market. Heating or furnace oil is used for heating in about 8 million households in North America, largely Eastern Canada and North-Eastern USA.

The tank lining program is proceeding as planned and final field testing of the lining product is scheduled to be completed in the first half of fiscal 2006. Development costs of \$178,000 (2004 - \$135,000) related to tank lining were deferred during the quarter. With the announced publication by Underwriters' Laboratories of Canada ("ULC") of ORD C58.4 (Other Recognized Document) and the anticipated listing by ULC and UL, this new product is expected to add to revenue in the latter part of fiscal 2006. Tank lining will be systematically 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.

"We remain committed to our strategy of profitable growth and our target of annual revenue growth of 15% to 20% coupled with a corresponding increase in income," said Ven Côté, President and CEO. "We have achieved this goal in the first quarter, and with the strong start to our second quarter, we are confident that we can meet this target for this fiscal year."

Mr. Côté added, "We look to growth in Canada, the USA and internationally by utilizing our customer alliances and industry leadership. The announced publication of ORD C58.4 by ULC establishes the technical requirements for tank lining in Canada and is a key milestone in the introduction of our system to the North American marketplace."

ZCL Composites Inc. trades on the Toronto Stock Exchange under the symbol "ZCL" and is Canada's largest manufacturer of composite liquid storage systems. 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.

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(tables follow)

ZCL Composites Inc.**CONSOLIDATED BALANCE SHEETS**

(Unaudited)

	June 30	March 31
	2005	2005
(in thousands of dollars)	\$	\$
Assets		
Current		
Cash	--	1,383
Accounts receivable	7,751	11,294
Inventories	10,151	7,120
Prepaid expenses	315	548
Future tax assets	140	250
	18,357	20,595
Property, plant and equipment	10,023	8,246
Deferred costs	880	707
Intangible assets	1,072	1,085
Goodwill	1,991	1,991
	32,323	32,624
Liabilities and Shareholders' Equity		
Current		
Bank indebtedness	1,200	--
Accounts payable and accrued liabilities	5,052	6,337
Dividends payable	1,438	--
Income taxes payable	271	1,336
Future tax liabilities	24	24
	7,985	7,697
Government grants	149	151
Future tax liabilities	1,475	947
	9,609	8,795
Shareholders' equity		
Share capital	19,321	19,277
Contributed surplus	206	171
Retained earnings	3,187	4,381
	22,714	23,829
	32,323	32,624

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**CONSOLIDATED STATEMENTS OF INCOME AND
RETAINED EARNINGS**

(Unaudited)

Three months ended June 30	2005	2004
(in thousands of dollars, except per share amounts)	\$	\$
Revenue	8,287	6,308
Manufacturing and selling costs	6,979	5,271
	1,308	1,037
Amortization	363	468
General and administration	462	429
Financing charges	69	3
Income before income taxes	414	137
Income taxes		
Current	100	5
Future	70	60
	170	65
Net income for the period	244	72
Retained earnings, beginning of the period	4,381	1,952
Dividends	(1,438)	(1,051)
Retained earnings, end of the period	3,187	973
Basic and diluted earnings per share	\$0.01	\$0.00

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Three months ended June 30	2005	2004
(in thousands of dollars)	\$	\$
Cash Flows from Operating Activities		
Cash receipts from customers	13,060	6,993
Cash paid to suppliers and employees	(11,390)	(7,511)
Interest paid	(68)	(3)
Income taxes paid	(1,165)	(7)
	437	(528)
Cash Flows from Financing Activities		
Net advances on bank indebtedness	1,200	115
Issue of common shares	44	--
	1,244	115
Cash Flows from Investing Activities		
Business acquisition, including bank indebtedness assumed	(2,597)	(1,193)
Purchase of property, plant and equipment	(289)	(139)
Deferred development costs	(178)	(135)
	(3,064)	(1,467)
Decrease in cash	(1,383)	(1,880)
Cash, beginning of the period	1,383	1,880
Cash, end of the period	--	--