



ZCL Composites Inc. Reports Second Fiscal Quarter Results

For Immediate Release

Edmonton, Alberta November 7, 2005... ZCL Composites Inc. (TSX:ZCL) today announced results for the second quarter ended September 30, 2005. Revenue for the second quarter increased by 1.4% to a record \$11.2 million from \$11.0 million for the quarter last year. Net income for the second quarter decreased to \$820,000 from \$1.2 million last year. Basic earnings per share for the second quarter were \$0.05 as compared to \$0.07 last year, and diluted earnings per share for the second quarter were \$0.04 as compared to \$0.07 last year.

For the six-month period, revenue increased by 12.3% to \$19.5 million from \$17.3 million last year. Net income for the six-month period decreased to \$1.1 million from \$1.3 million last year. Basic earnings per share were \$0.06 for the six-month period as compared to \$0.07 for the period last year and diluted earnings per share were \$0.05 for the six-month period as compared to \$0.07 last year.

The overall increase in revenue was primarily due to the acquisition of Triple M Fiberglass Mfg. Ltd. ("Triple M") in April 2005, offset by decreased revenue from the downstream sector of the petroleum industry as a result of the deferral of upgrade and new installation projects in the second quarter. Nonetheless, the outlook for this market sector, as well as other traditional markets of the Company, remains very positive for the second half of this fiscal year. The order backlog is very strong and the third quarter is off to a good start. Inventories have been maintained at higher levels to meet orders and deliveries. Historically, the second and third fiscal quarters have higher levels of activity, corresponding to the seasonality of the installation of underground liquid storage systems in Canada.

Notwithstanding the higher revenue during the period, the decrease in net income in the second quarter and six-month period this year was largely due to lower overall margins, as a result of increased raw material prices as well as the reduced level of higher margin downstream products, and increased expenses for marketing and sales activities related to home heating oil and tank lining products. Amortization decreased this year as certain deferred costs were fully amortized in the third quarter last year. Financing charges were higher this year because of increased utilization of the bank operating lines of credit and foreign exchange losses.

Cash flows from operating activities were \$356,000 during the second quarter (\$793,000 for the six-month period) this year, after the payment of income taxes of \$412,000 in the quarter (\$1.6 million in the six-month period), compared to \$202,000 of cash used in operating activities during the quarter (\$730,000 for the six-month period) last year. This increase was largely due to the timing of sales and collection of accounts receivable, the level of operations and the acquisition of Triple M during the period. 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 in the second quarter. The shares of Triple M, including bank indebtedness assumed, were acquired for cash of \$2.6 million in the first quarter this year, and the business assets of Durex Steel & Alloy Industries Ltd. 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 in Eastern Canada and North-Eastern USA. The Company's objective is to systematically achieve a significant market share over the next five years.

Tank lining development costs of \$394,000 (2004 - \$97,000) during the second quarter and \$572,000 (2004 – 232,000) in the six-month period were deferred. While the overall level of development costs has exceeded the initial estimated amount, the development program is progressing as planned and the second field test of the lining product was completed in the second quarter. Evaluation and testing is currently proceeding with respect to obtaining Underwriters' Laboratories of Canada ("ULC") and UL listings in accordance with recognized industry standards. This new product is expected to add to revenue in the latter part of fiscal 2006. 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.

"We remain committed to our strategy of profitable growth and are on target to meet our annual growth objective," said Ven Côté, President and CEO. "With our expanding order backlog and the strong start to the third quarter, we remain confident that we can achieve our goal of annual revenue growth of 15% to 20% coupled with a corresponding increase in income."

Mr. Côté added, "The outlook for our economical and environmentally-friendly products continues to be very positive, driven by new market trends and entrants as well as increasingly stringent industry standards and government legislation, such as double containment of underground storage of hazardous liquids and ethanol and other blends of fuels being legislated in various parts of Canada and USA."

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.

For further information, please contact:

Venence G. Côté
President & CEO
ZCL Composites Inc.
(780) 466-6648
Ven.Cote@zcl.com

Tony G. Barlott
VP Finance & CFO
ZCL Composites Inc.
(780) 466-6648
Tony.Barlott@zcl.com

(tables follow)

ZCL Composites Inc.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30	March 31
	2005	2005
(in thousands of dollars)	\$	\$
Assets		
Current		
Cash	--	1,383
Accounts receivable	9,732	11,294
Income taxes recoverable	26	--
Inventories	9,675	7,120
Prepaid expenses	251	548
Future tax assets	--	250
	19,684	20,595
Property, plant and equipment	9,958	8,246
Deferred costs	1,270	707
Intangible assets	942	1,085
Goodwill	1,991	1,991
	33,845	32,624
Liabilities and Shareholders' Equity		
Current		
Bank indebtedness	2,843	--
Accounts payable and accrued liabilities	5,566	6,337
Income taxes payable	--	1,336
Future tax liabilities	110	24
	8,519	7,697
Government grants	147	151
Future tax liabilities	1,584	947
	10,250	8,795
Shareholders' equity		
Share capital	19,331	19,277
Contributed surplus	257	171
Retained earnings	4,007	4,381
	23,595	23,829
	33,845	32,624

ZCL Composites Inc.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Unaudited)

Periods ended September 30	Three months		Six months	
	2005	2004	2005	2004
(in thousands of dollars, except per share amounts)	\$	\$	\$	\$
Revenue	11,173	11,020	19,460	17,328
Manufacturing and selling costs	8,949	8,164	15,928	13,435
	2,224	2,856	3,532	3,893
Amortization	370	477	733	945
General and administration	490	494	952	923
Financing charges	94	40	163	43
Income before income taxes	1,270	1,845	1,684	1,982
Income taxes				
Current	115	346	215	351
Future	335	270	405	330
	450	616	620	681
Net income for the period	820	1,229	1,064	1,301
Retained earnings, beginning of the period	3,187	973	4,381	1,952
Dividends	--	--	(1,438)	(1,051)
Retained earnings, end of the period	4,007	2,202	4,007	2,202
Basic earnings per share	\$0.05	\$0.07	\$0.06	\$0.07
Diluted earnings per share	\$0.04	\$0.07	\$0.05	\$0.07

ZCL Composites Inc.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

Periods ended September 30	Three months		Six months	
	2005	2004	2005	2004
(in thousands of dollars)	\$	\$	\$	\$
Cash Flows from Operating Activities				
Cash receipts from customers	9,166	7,924	22,226	14,917
Cash paid to suppliers and employees	(8,317)	(8,088)	(19,707)	(15,599)
Interest paid	(81)	(33)	(149)	(36)
Income taxes paid	(412)	(5)	(1,577)	(12)
	356	(202)	793	(730)
Cash Flows from Financing Activities				
Net advances on bank indebtedness	1,643	1,213	2,843	1,328
Issue of common shares	10	226	54	226
Dividends	(1,438)	(1,051)	(1,438)	(1,051)
	215	388	1,459	503
Cash Flows from Investing Activities				
Business acquisition, including bank indebtedness assumed	--	--	(2,597)	(1,193)
Purchase of property, plant and equipment	(177)	(89)	(466)	(228)
Deferred development costs	(394)	(97)	(572)	(232)
	(571)	(186)	(3,635)	(1,653)
Decrease in cash	--	--	(1,383)	(1,880)
Cash, beginning of the period	--	--	1,383	1,880
Cash, end of the period	--	--	--	--