



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

For Immediate Release

Edmonton, Alberta March 9, 2007... ZCL Composites Inc. (TSX: ZCL) is pleased to report record results for the third fiscal quarter and year ended December 31, 2006.

The Company changed its fiscal year end from March 31 to December 31 to coincide with companies involved in the oil and gas industry. This fiscal year end is for the nine months ended December 31, 2006 with comparative information for the twelve months ended March 31, 2006. References to the third quarter results represent the three month period ended December 31, 2006 for this fiscal year end and the three month period ended December 31, 2005 for the previous fiscal year.

Revenue for the nine months ended December 31, 2006 was \$41.4 million, which was 90% of the revenue for the twelve months ended March 31, 2006. Net income from continuing operations of \$4.1 million for the nine months ended December 31, 2006, increased by \$0.6 million over the twelve months ended March 31, 2006. Basic and diluted earnings per share from continuing operations are \$0.19 and \$0.18 respectively for the nine months ended December 31, 2006.

In the third quarter, revenue was a record \$14.9 million this year, up by 15% from \$13.0 million last year. Net income from continuing operations for the third quarter increased to \$1.5 million from \$1.1 million for the same quarter last year. Basic earnings per share from continuing operations for the third quarter of \$0.07 were slightly higher than the \$0.06 for the third quarter of the previous fiscal year. Diluted earnings per share from continuing operations for the third quarter of \$0.07 were \$0.02 higher than the \$0.05 of the third quarter of the previous fiscal year.

The overall increase in revenue was primarily due to the increased demand for our products sold to the upstream sector of the oil and 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. As a result, the home heating oil tank segment incurred a pre tax loss of \$0.7 million for the current fiscal year compared to a pre tax loss of \$1.0 million for the previous fiscal year. The entire home heating oil tank market has been slow but is showing signs of improvement. We remain encouraged about the potential for this

significant market opportunity and hope to report positive contribution from this operation in next year's report.

Cash flows from operating activities before changes in working capital for the nine months ended December 31, 2006 of \$5.3 million was \$0.5 million lower than the \$5.8 million for the same category for the twelve months ended March 31, 2006.

Dividends of \$2.1 million were paid this fiscal year compared to \$1.4 million in the previous fiscal year. Common shares were issued for cash of \$1.6 million upon the exercise of share options and warrants this fiscal year compared to \$2.1 million in the previous fiscal year.

Cash used in investing activities for the nine months ended December 31, 2006 was \$1.6 million, primarily for the purchase of property, plant and equipment. During the previous fiscal year, the Company purchased 100% of the shares of Triple M Fiberglass Mfg. Ltd., property, plant and equipment, certain patents and deferred development costs for total cash of \$4.8 million.

As expected, we are now beginning to see the growth for lining projects in North America and Hong Kong. Our unique internal fibreglass tank lining systems allow "in-situ" upgrades of a single wall tank to a secondary contained lining system using Parabeam, ZCL's patented three dimensional glass fabric, and a proprietary state-of-the-art curing system. There is a very large and growing need for upgrading both underground and aboveground liquid storage, 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 to a secondary contained tank.

With the considerable demand placed on the Company's Edmonton underground fibreglass tank manufacturing facilities, the Company is expanding one of its current manufacturing plants. It is anticipated that larger manufacturing facilities will not only alleviate the current demand for product, but will also improve the manufacturing throughput by as much as 50%.

Going into this new fiscal period, our vision is now expanded: to be the leading global provider of environmentally friendly liquid storage solutions, while providing superior returns to our shareholders. We will do so by maintaining our position in our traditional markets within the Canadian marketplace, and by pursuing growth opportunities in related products and markets. Our organization is well positioned to take advantage of our strengthened core business, not to mention numerous opportunities with the acquisition of Xerxes in February, 2007. We are looking to the future with confidence and by remaining focused we will meet our commitments and continue to create value for our shareholders.

Xerxes' addition to the ZCL group means that we are entering the US market two years ahead of schedule via the acquisition of a formidable competitor. Xerxes is the leader in its own market and has new products that will also help benefit ZCL on both sides of the border. Xerxes is a well managed company and together we are poised to grow both

revenues and earnings, a priority for existing and new shareholders alike. We are also now poised to expand our international presence and to make our vision a reality.

The Board reviewed the year end results, assessed the overall financial position of the Company and the growth opportunities now available in the US with the Xerxes acquisition. The Board decided to declare an annual dividend of \$0.10 per share. This annual dividend is for all shareholders of record as of March 28, 2007 and will be paid on April 4, 2007.

Mr. Ven Côté, President and CEO of ZCL said, "I am sincerely grateful for the continued support from our customers, suppliers and all of our alliance partners and shareholders. I am also most appreciative of the continuous efforts of our employees and the support of our Board of Directors for the confidence they have given us in growing the Company and allowing us to take the Company to new heights in our North American pursuits, en route to the implementation of our global vision." Mr. Côté went on to say, "This new year will be one full of excitement, with the launching of our lining system and the alignment of priorities with our new partners south of the border and all of the opportunities for synergies and market growth."

ZCL Composites Inc. trades on the Toronto Stock Exchange under the symbol "ZCL" and is Canada's largest manufacturer of fibreglass underground storage tanks. ZCL's complete fuel storage system is 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.
(Incorporated under the Canada Business Corporations Act)

CONSOLIDATED BALANCE SHEETS

As at

(in thousands of dollars)	December 31, 2006 \$	March 31, 2006 \$
ASSETS		
Current		
Cash	7,802	—
Accounts receivable	6,587	11,855
Inventories	10,807	9,422
Prepaid expenses	142	310
Future tax assets	11	48
	25,349	21,635
Property, plant and equipment	10,588	9,901
Deferred costs	1,050	1,165
Intangible assets	687	1,066
Goodwill	1,991	1,991
Other assets	854	799
	40,519	36,557
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	—	114
Accounts payable and accrued liabilities	5,329	5,699
Income taxes payable	1,398	447
Future tax liabilities	180	256
	6,907	6,516
Government grants	136	143
Future tax liabilities	1,228	1,467
	8,271	8,126
Commitments and contingencies		
Shareholders' equity		
Share capital	23,135	21,397
Contributed surplus	452	348
Retained earnings	8,661	6,686
	32,248	28,431
	40,519	36,557

ZCL Composites Inc.

CONSOLIDATED STATEMENTS OF INCOME

Period ended

	Nine Months December 31, 2006 \$	Twelve Months March 31, 2006 \$
(in thousands of dollars)		
Revenue	41,399	46,166
Manufacturing and selling costs	31,676	36,876
	9,723	9,290
Amortization	1,269	1,497
General and administration	2,499	2,255
Financing charges	—	266
Income before income taxes	5,955	5,272
Income taxes		
Current	2,177	1,504
Future	(278)	344
	1,899	1,848
Net income from continuing operations	4,056	3,424
Net income from discontinued operations	—	319
Net income	4,056	3,743
Basic earnings per share		
Net income from continuing operations	\$0.19	\$0.19
Net income from discontinued operations	—	\$0.01
Net income	\$0.19	\$0.20
Diluted earnings per share		
Net income from continuing operations	\$0.18	\$0.17
Net income from discontinued operations	—	\$0.01
Net income	\$0.18	\$0.18

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Period ended

	Nine Months December 31, 2006 \$	Twelve Months March 31, 2006 \$
<hr/> (in thousands of dollars) <hr/>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	4,056	3,743
Add items not affecting cash:		
Amortization expense	1,269	1,497
Future tax (recovery) expense	(278)	344
Stock based compensation expense	252	195
	<hr/> 5,299	<hr/> 5,779
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	5,268	(158)
Increase in inventories	(1,385)	(1,193)
Decrease in prepaid expenses	168	246
Decrease in accounts payable and accrued liabilities	(370)	(1,494)
(Decrease) increase in income tax payable	977	(565)
Cash flows from operating activities	<hr/> 9,957	<hr/> 2,615
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of common shares	1,590	2,102
Dividends	(2,081)	(1,438)
Net (repayment) advances of bank indebtedness	(114)	114
Cash flows (used in) from financing activities	<hr/> (605)	<hr/> 778
CASH FLOWS FROM INVESTING ACTIVITIES		
Business acquisition, including bank indebtedness assumed	—	(2,597)
Purchase of property, plant and equipment	(1,495)	(921)
Purchase of intangible assets	—	(369)
Deferred development costs	—	(835)
Increase in other assets	(55)	(54)
Cash flows used in investing activities	<hr/> (1,550)	<hr/> (4,776)
Increase (decrease) in cash	<hr/> 7,802	<hr/> (1,383)
Cash, beginning of the year	—	1,383
Cash, end of the year	<hr/> 7,802	<hr/> —