



**FOR IMMEDIATE RELEASE – ZCL COMPOSITES INC. Announces Acquisition of Xerxes Corporation and \$35 Million Private Placement**

**NOT FOR DISTRIBUTION IN THE UNITED STATES OR OVER U.S. NEWSWIRES**

**Edmonton, Alberta – January 22, 2007** – ZCL Composites Inc. (TSX:ZCL) ("ZCL" or the "Company") is pleased to announce that it has entered into a share purchase agreement (the "Acquisition Agreement") with the shareholders of XAHC, Inc. ("XAHC"), the sole shareholder of Xerxes Corporation ("Xerxes"), pursuant to which ZCL has agreed to acquire (the "Acquisition") all of the issued and outstanding capital stock of XAHC. To partially fund the acquisition ZCL has entered into a private placement agreement with a syndicate led by Peters & Co. Limited, on a bought deal basis, whereby it will issue CDN\$35 million of subscription receipts.

**Acquisition of Xerxes Corporation**

XAHC is a privately held company based in the United States. Xerxes is involved in the design, manufacture and marketing of fiberglass reinforced plastic ("FRP") structural products for the petroleum, chemical, water and wastewater industries with over 260 employees operating from 5 principal locations in Minnesota, California, Texas, Maryland and Iowa.

The aggregate purchase price for XAHC is USD\$40.8 million (CDN\$47.8 million based on current exchange rates), subject to closing adjustments, including adjustments for working capital and certain post-closing vendor indemnities, payable in cash.

All of the shareholders of XAHC have agreed to tender to ZCL all of the Xerxes stock owned or controlled by them, subject to the terms and conditions of its agreement with ZCL.

The Acquisition is consistent with ZCL's focus on acquiring complementary or competitive businesses with attractive margins and strong growth prospects that will increase its ability to deliver its full spectrum of products to customers in the United States and adds complementary product lines to ZCL's current portfolio of products.

ZCL's President & Chief Executive Officer, Ven Côté, describes the acquisition of Xerxes as both "synergistic operationally to ZCL and accretive". "We are excited about the opportunity to join forces with a well managed industry leader to provide a broader range of products to our Canadian customer base and to increase our market presence in the United States."

The Acquisition is expected to close on or about February 28, 2007 and is subject to the satisfaction or waiver of conditions, which are typical for an acquisition of this nature.

### **Private Placement Offering**

ZCL has entered into a private placement agreement with a syndicate of underwriters, led by Peters & Co. Limited, whereby the underwriters have agreed to purchase as principals 3,500,000 subscription receipts at a price of \$10.00 per subscription receipt for total gross proceeds of CDN\$35,000,000 (the "Offering"). Each subscription receipt will entitle the holder to acquire one common share of ZCL, without the payment of any additional consideration, upon closing of the Xerxes acquisition. If the acquisition has not closed, or will not close, prior to February 28, 2007, or such other date as may be agreed upon by ZCL and the underwriters, ZCL is obligated to repurchase the subscription receipts from the holders thereof. The Offering is subject to certain conditions, including regulatory approval and is expected to close on February 13, 2007. The Company will use the net proceeds of the Offering to fund a portion of the purchase price of the Acquisition.

The balance of the Acquisition will be funded with commercial debt financing from CIBC, who has supplied ZCL with their banking requirements for many years.

ZCL has filed a material change report with the securities regulatory authorities concurrently with the issuance of this news release, which material change report contains further details respecting the Acquisition and the Offering and is available at [www.sedar.com](http://www.sedar.com).

ZCL Composites Inc. trades on the Toronto Stock Exchange under the symbol "ZCL" and is Canada's largest manufacturer of fiberglass underground storage tanks.

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### **FORWARD-LOOKING STATEMENTS**

Statements set out in this news release that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "expect", "may", "could", "anticipate" or "will" and similar expressions) may include expectations, opinions or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management of ZCL as at the date the statements are made and are subject to a variety of known and unknown risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. Those factors include, but are not limited to, risks, uncertainties and other factors that are beyond the control of ZCL, including completion of the proposed Acquisition and the Offering, as well as the possible failure to realize the anticipated benefits of the Acquisition and risks relating to the business currently conducted by Xerxes. In light of the risks and uncertainties associated with forward-looking statements, readers are

cautioned not to place undue reliance upon forward-looking information contained in this news release. Assumptions relating to certain forward-looking information contained in this news release are set out above in this news release. Forward-looking information relating to the consideration that may be paid by ZCL in connection with the completion of the Acquisition (including without limitation the number of common shares of ZCL that may be issued in connection therewith), the amount and types of financing proposed to be used to fund the Acquisition (including without limitation the Offering described herein), the mechanism proposed to be utilized to effect the Acquisition and the timing of certain events relating to the Acquisition are based upon covenants, representations and warranties contained in the Acquisition Agreement. Although ZCL believes that the expectations reflected in the forward-looking statements set out in this news release are reasonable, it can give no assurance that such expectations will prove to have been correct. The forward-looking statements of ZCL contained in this news release are expressly qualified, in their entirety, by this cautionary statement. The forward-looking statements are made as of the date of this news release and ZCL assumes no obligation to update or revise them to reflect new events or circumstances, except as expressly required by applicable securities law. Further information regarding risks and uncertainties relating to ZCL and its securities can be found in the disclosure documents filed by ZCL with the securities regulatory authorities (including ZCL's annual information form for the fiscal year ended March 31, 2006, which was filed on SEDAR on June 29, 2006), available at [www.sedar.com](http://www.sedar.com).