



ZCL Composites Reports First Quarter 2010 Financial Results

Edmonton, Alberta, May 12, 2010 – ZCL Composites Inc. (TSX: ZCL) today announced financial results for the first quarter ended March 31, 2010.

Q1 2010 compared to Q1 2009

- Revenue of \$25.5 million, compared to \$19.7 million
- Net loss of \$2.8 million, compared to net loss of \$1.4 million
- Diluted loss per share of \$0.10, compared to diluted loss per share of \$0.05
- Backlog of \$31.2 million, compared to \$25.4 million

"The increased loss in the quarter reflected a planned decision to reduce inventory production levels and an adverse foreign exchange trend", said Ven Côté, ZCL's President and Chief Executive Officer. While the financial results may not reflect it, there were a number of positive developments in the first quarter that bode well for future periods. We completed the acquisition of Dualam and the integration of its operations is well underway. We also saw a strong increase in revenue from the Canadian operations and sales orders received by our traditional US operations were up over 30%. This order growth is reflected in our backlog at the end of the quarter."

"Notwithstanding the slow financial start and continuing concerns about the pace of recovery in the US market, we maintain a positive outlook for 2010", added Mr. Côté. "We expect our financial results to improve as the year progresses and continue to believe that our results for fiscal 2010 will be better than 2009."

Financial Results

Revenue increased 30% in the first quarter due to a 50% increase in revenue from ZCL's traditional Canadian operations and the acquisition of Dualam Plastics Inc. ("Dualam") effective January 4, 2010, partially offset by a significantly lower US to Canadian dollar exchange rate. The increased net loss in the first quarter of 2010 reflected:

- a \$1.3 million reduction in the amount of fixed costs absorbed into inventory during the quarter due to a decrease in inventory production levels; and
- a \$0.6 million swing in foreign exchange gains/losses.

Prudence a Factor in Decreased Inventory Production

Management believes the decrease in production levels was a prudent response to continued economic uncertainty. As described below, the negative impact of this decision in the first quarter is expected to reverse as the year progresses.

In previous years, including 2009, ZCL borrowed from its operating credit facility to build inventory in the seasonally slower first quarter. The first quarter inventory build-up is used to meet demand later in the year. This year, ZCL is taking a more conservative approach, with production levels being increased as demand warrants. This conservative approach resulted in ZCL's work in progress ("WIP") and finished goods inventory decreasing approximately \$1.9 million (excluding inventory held by Dualam). In contrast, in the first quarter of 2009, ZCL's WIP and finished goods inventory increased \$7.2 million in the first quarter of 2009.

Included in the cost of the finished goods and WIP inventory on the balance sheet is direct materials and labour as well as a systematic allocation of variable and fixed production overheads. The \$7.2 million increase in inventory at the end of the first quarter of 2009 included the allocation of approximately \$1.3 million of fixed overhead costs. For the first quarter of 2010, there were essentially no additional fixed overhead costs included in inventory (i.e. the fixed costs incurred in the quarter equalled the fixed costs expensed through costs of sales). For additional details, see ZCL's management's discussion and analysis for the three months ended March 31, 2010.

While the plan to decrease production resulted in an increased loss in the first quarter of 2010, it should produce an offsetting benefit during the remainder of 2010 because the \$1.3 million of fixed costs has already been expensed. For 2009, the \$1.3 million of fixed costs included in inventory at the end of the first quarter were expensed through cost of sales as the inventory was sold during the remainder of the year.

Impact of Adverse Foreign Exchange Trends

An adverse foreign exchange trend was responsible for a \$0.6 million negative swing in the first quarter of 2010, compared with a year earlier. The swing consisted of a \$0.4 million foreign exchange loss in the first quarter of 2010, compared to a gain of \$0.2 million in the first quarter of 2009. The loss in the first quarter this year resulted from a decrease in the value of both the US dollar and the euro compared to the Canadian dollar, while the gain in the first quarter of 2009 reflected an increase in the value of the US dollar.

Backlog

ZCL's backlog totalled \$31.2 million at March 31, 2010, up from \$19.4 million at December 31, 2009, and \$25.4 million at March 31, 2009. The increase over December 31, 2009 reflected strong growth in both Canadian and the US and approximately \$5.0 million from the new Dualam operations. The increase over March 31, 2009 also reflected growth in ZCL's traditional Canadian and US operations as well as the new Dualam operations, however this growth was partially offset by a lower US dollar conversion rate. Excluding the impact of Dualam and the change in conversion rate, the backlog for the traditional Canadian and US business at March 31, 2010 was up approximately \$3.0 million or 13%, compared to the backlog at March 31, 2009.

Outlook

Management continues to believe that ZCL's financial results for the full year 2010 will improve compared to 2009. The extent of the improvement will however depend upon the level of economic recovery and the degree to which customers are willing to increase their capital spending programs.

Management's positive outlook for 2010 is based upon the sales order and backlog growth experienced to date by the Company's traditional Canadian and US operations. In addition, the

recently acquired Dualam operations are expected to provide an improving and positive contribution in the second half of 2010.

Cost management and production efficiencies remain a focus in 2010. In addition, production levels will be closely managed and increased as demand warrants. The Company continues to focus on achieving integration across all entities in 2010, including the implementation of a new ERP system that went live at the beginning of the year in the Company's US operations. This implementation went very well and was completed on time and within budget. This new system is scheduled to go live in Canada at the beginning of July, with the Dualam operations coming on-line later in 2010.

Summary Financial Results

(in thousands, except per share amounts)	First Quarter	
	2010 \$	2009 \$
Total revenue	25,544	19,681
Net loss	(2,770)	(1,356)
Diluted loss per share	(0.10)	(0.05)

Dividends

The Company's Board of Directors has voted to suspend the payment of a quarterly dividend at this time. The decision to suspend the dividend was made as a cautionary measure. The Board continues to believe that dividends are important in delivering shareholder value and intends to re-address payment of a dividend as the economy and the Company's financial performance improve.

MD&A and Financial Statements

The Company's management's discussion and analysis ("MD&A") and unaudited consolidated financial statements for the three months ended March 31, 2010 are available on Sedar at www.sedar.com and the ZCL website at this link: www.zcl.com/investors/corpdisclosure.html.

Conference Call

ZCL Composites Inc. has scheduled an investor conference call for 9:30 a.m. Mountain Time (11:30 a.m. Eastern Time) on Thursday, May 13, 2010, to discuss its financial and operating results for the first quarter of 2010.

To access the conference call by telephone, please dial toll free 888-231-8191 from anywhere in North America. An audio webcast may be accessed through the investor events tab on the ZCL Composites website. Audio replays will be available on the ZCL Composites website shortly after the conclusion of the conference call.

The conference call will include prepared remarks by ZCL's President and Chief Executive Officer, Ven Côté, and by ZCL's Chief Financial Officer, Darin Coutu. After the prepared remarks, ZCL will accept questions from analysts and institutional investors. The public is invited to listen to the conference call in real time or by replay.

Note on Backlog

Backlog is defined as the total value of orders that management has assessed as having a high certainty of being performed because of the existence of a contract or purchase order specifying the scope, value and timing of an order.

Advisory Regarding Forward-Looking Statements

This document contains forward-looking statements under the heading “Outlook” and elsewhere concerning future events or the Company’s future performance, including the Company’s objectives or expectations for revenue and earnings growth, income taxes as a percentage of pre-tax income, business opportunities in the petroleum, water and wastewater, corrosion, international and other markets, efforts to reduce administrative and production costs, manage production levels, anticipated capital expenditure trends, activity in the petroleum and other industries and markets served by the Company and the sufficiency of cash flows and credit facilities available to cover normal operating and capital expenditures. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. Actual events or results may differ materially from those reflected in the Company’s forward-looking statements due to a number of known and unknown risks, uncertainties and other factors affecting the Company’s business and the industries the Company serves generally.

These factors include, but are not limited to, fluctuations in the level of capital expenditures in the petroleum, water and wastewater and corrosion markets, drilling activity and oil and natural gas prices, and other factors that affect demand for the Company’s products and services, industry competition, the need to effectively integrate acquired businesses, uncertainties as to the Company’s ability to implement its business strategy effectively in Canada and the United States, political and economic conditions, the Company’s ability to attract and retain key personnel, raw material and labour costs, fluctuations in the US and Canadian dollar exchange rates, and other risks and uncertainties described under the heading “Risk Factors” in the Company’s most recent Annual Information Form, and elsewhere in this document and other documents filed with Canadian provincial securities authorities. These documents are available to the public at www.sedar.com.

In addition to the factors noted above, management cautions readers that the current economic environment could have a negative impact on the markets in which the Company operates and on the Company’s ability to achieve its financial targets. Factors such as continuing economic uncertainty in the US and Canada, tighter lending standards, volatile capital markets, lower commodity prices, the US housing crisis and other factors could negatively impact the demand for the Company’s products and the Company’s ability to grow or sustain revenues and earnings. Fluctuations in the US to Canadian dollar conversion rate also have the potential to impact the Company’s revenues and earnings.

The Company believes that the expectations reflected in the forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this report should not be unduly relied upon.

The forward-looking statements in this report speak only as of the date of this report. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on the Company's behalf, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities laws. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

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