

ZCL COMPOSITES INC.

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2007

March 18, 2008

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GLOSSARY OF TERMS

The following is a glossary of terms and abbreviations used frequently throughout this Annual Information Form.

"AGST" means aboveground storage tanks;

"CBCA" means the *Canada Business Corporations Act*;

"CDN\$" means the currency of Canada;

"FRP" means fibreglass reinforced plastic;

"OCF" means Owens-Corning Fiberglass Corporation and its successor to its tank division, Fluid Containment Inc. in the United States;

"Parabeam" means Parabeam Industrie-En Handelonderneming B.V.;

"Parabeam fabric" is a three dimensional fabric which is an integral component of the Company's tank manufacturing and lining products.

"Radigan" means Radigan Insurance Inc.;

"Stock options" means options of the Company to acquire common shares of the Company as granted by the Board of Directors to directors, employees, and persons who provide management or consulting services to the Company.

"Triple M" means Triple M Fiberglass Mfg. Ltd., a company amalgamated pursuant to the laws of the Province of Alberta which was wound up into ZCL effective January 1, 2008 and is now operating as ZCL's Corrosion division:

"TSX" means the Toronto Stock Exchange;

"UGST" means underground storage tanks;

"UL" means Underwriters' Laboratories;

"ULC" means Underwriters' Laboratories of Canada;

"U.S.A." or "U.S." or "United States" means the United States of America;

"USD\$" means the currency of the United States of America;

"VRB" means VRB & Associates SRL;

"XAHC" means XAHC, Inc.;

"Xerxes" means Xerxes Corporation;

"ZCL" or "the Company" or "the Corporation" or "us" or "we" means ZCL Composites Inc. and its subsidiaries unless otherwise indicated;

All dollar amounts in this Annual Information Form are in Canadian dollars unless otherwise stated.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements under the headings "General Development of the Business", "Description of the "Business" and elsewhere concerning future events or the Company's future performance, including the Company's plans, objectives, operations and other activities for 2008 and beyond, and anticipated capital expenditure trends and activity in the petroleum, water / wastewater and other industries served by the Company. 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 petroleum industry capital expenditures, 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, and other risks and uncertainties described under the heading "Risk Factors" and elsewhere in this Annual Information Form and elsewhere in the Company's Management's Discussion & Analysis for the fiscal year ended December 31, 2007 and in other documents filed with Canadian provincial securities authorities. These documents are available to the public at www.sedar.com.

The Company believes that the expectations reflected in these 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 Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form. 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 Annual Information Form are expressly qualified by this cautionary statement.

CORPORATE STRUCTURE

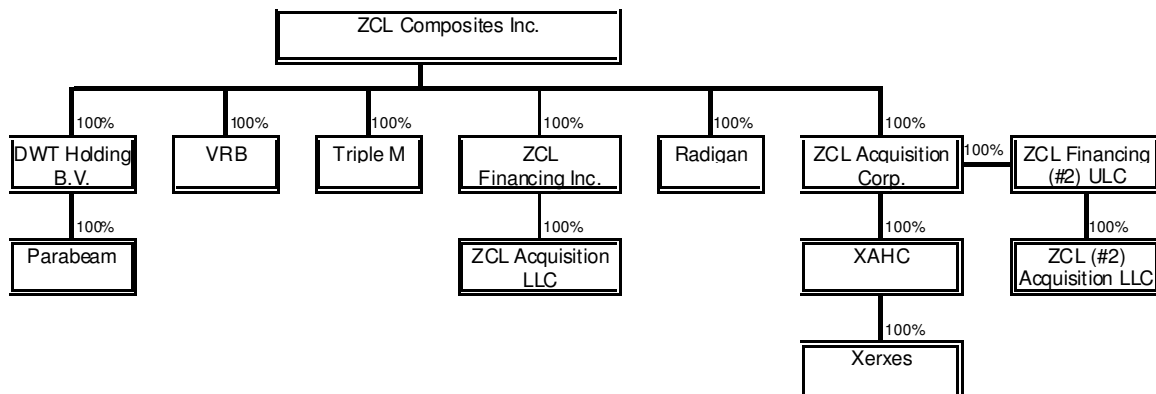
Name, Address and Incorporation

ZCL Composites Inc. was incorporated pursuant to the *Business Corporations Act* (Alberta) on September 14, 1987, and became a federal corporation pursuant to the CBCA on February 23, 1988. On April 1, 2005, ZCL, Mocoat Services Incorporated and LeGay Fiberglass (1993) Limited amalgamated pursuant to the CBCA to form the amalgamated entity ZCL Composites Inc.

The Company's principal offices are located at 6907 - 36 Street, Edmonton, Alberta, Canada T6B 2Z6 and its telephone number is (780) 466-6648. The Company's registered address is 1000 10035 105 Street, Edmonton, Alberta, T5J 3T2

Intercorporate Relationships

As at December 31, 2007, the Company's corporate structure was as follows:



DWT Holding B.V. was incorporated by the Company as a wholly owned subsidiary pursuant to the laws of The Netherlands on August 26, 2002. DWT Holding B.V. subsequently acquired 100% of the shares of Parabeam pursuant to an arm's length transaction in September 2002. Parabeam was incorporated pursuant to the laws of The Netherlands on January 10, 1953.

On April 1, 2005, ZCL, Mocoat Services Incorporated and LeGay Fiberglass (1993) Limited amalgamated pursuant to the CBCA to form the amalgamated entity ZCL Composites Inc. ZCL also purchased 100% of the shares of Triple M Fiberglass Ltd. and Triple M Fiberglass Holdings Ltd. on April 1, 2005 pursuant to an arm's length share purchase transaction (the "Triple M Acquisition"). Triple M Fiberglass Ltd. and its wholly owned subsidiary, Triple M Fiberglass Mfg. Ltd., amalgamated on April 1, 2005 under the *Business Corporations Act* (Alberta) to form the amalgamated entity known as Triple M Fiberglass Mfg. Ltd. As at and from April 1, 2005, Triple M was a wholly owned subsidiary of ZCL. Effective January 1, 2008, Triple M was wound up and now forms part of ZCL.

In November 2006, the Company incorporated Radigan Insurance Inc. in the State of Montana, U.S.A, through the issuance of 1,000 shares. In December 2006, the Company incorporated VRB & Associates SRL in Barbados.

In February 2007, the Company incorporated ZCL Acquisition Corp. under the laws of the State of Minnesota. ZCL Acquisition Corp. acquired 100% of the shares of XAHC and its wholly owned subsidiary, Xerxes, pursuant to an arm's length transaction on February 22, 2007. See more detail regarding the acquisition below in "General Development of the Business". XAHC was incorporated pursuant to the laws of the State of Minnesota, U.S.A on March 29, 1993. Xerxes is a wholly owned subsidiary of XAHC and was originally incorporated pursuant to the laws of the State of Delaware, U.S.A on March 3, 1989 as "XRS Acquisition Corp.". Xerxes amended its articles on March 15, 1989 to change its name to "XRS Fiberglass Company" and amended its articles on April 19, 1989 to change its name to "Xerxes Corporation".

In February 2007, the Company incorporated ZCL Financing Inc. ("ZCL Financing") under the laws of Alberta and caused the incorporation of ZCL Acquisition LLC under the laws of the State of Delaware, U.S.A. ZCL Financing is the sole member of ZCL Acquisition LLC.

ZCL Acquisition Corp., one of the Company's wholly owned subsidiaries, incorporated ZCL Financing (#2) ULC ("ZCL Financing (#2)") under the laws of Nova Scotia. ZCL Acquisition Corp. also caused the incorporation of ZCL Acquisition (#2) LLC under the laws of the State of Delaware, U.S.A. ZCL Financing (#2) ULC is the sole member of ZCL Acquisition (#2) LLC. ZCL Composites Inc. owns preferred shares of ZCL Financing (#2).

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History and Future Developments

On April 1, 2005, the Company completed the Triple M acquisition for \$1,900,000 plus acquisition costs, subject to final adjustments, paid in cash on closing. Triple M manufactures fibreglass above ground storage tanks and underground storage tanks, vessels, pipe and other custom environmental products. Triple M's specialized products and unique manufacturing expertise further enhance the Company's product line and open new markets for the Company. Triple M was wound up and is operating as a division of ZCL effective January 1, 2008.

The Phoenix System™ (also formerly marketed under the name Lifeliner System™) is a product which has a unique internal fibreglass system that allows upgrades of a single wall tank "in-situ" to a secondary contained lining system using a patented three-dimensional glass fabric combined with a proprietary state-of-the-art curing system. The system allows storage of new fuels, including the new ethanol and other blends now being legislated in certain parts of Canada and U.S.A. For example, Ontario, Saskatchewan, Manitoba and the federal government have announced their intention to reach a target of 5% ethanol in all gasoline sold across the country by 2010. Therefore, tanks built prior to 1979 when only single wall tanks were manufactured, would not be able to store this type of fuel, thus opening the door for future tank upgrades.

The final testing of the Phoenix System™ was concluded in the latter part of the fiscal year ended March 31, 2006. UL and ULC approval was received in August of 2006, which allowed for the commercial sale of the Phoenix System™. During the fiscal year ended December 31, 2006, the first lining project was successfully completed in Ontario for three sites. Additionally, ZCL was awarded a contract with Chevron Hong Kong Limited (Caltex) to convert three initial sites using the Phoenix System™ with the potential for additional contracts in the future. During the fiscal year ended December 31, 2006, work began in Hong Kong and was successfully completed in January 2007. During 2007, an additional 10 tank lining sites were awarded for Hong Kong, nine of which were completed during 2007.

During the March 31, 2006 fiscal year, the Company purchased certain of the manufacturing patents related to the three-dimensional glass fabric marketed as "Parabeam". The purchase of these patents provides the Company with control over the Parabeam product. This action further solidifies the Company's growth strategies in the North American and global marketplaces. While this product can be used in the manufacturing of double wall tanks, as well as other types of products, it can also be used in the lining of both underground and above ground tanks. As mentioned earlier, the products are an integral part of the Company's lining system which is marketed under the trade name, the Phoenix System™.

During the fiscal year ended March 31, 2006, the Company signed a five year agreement with Tank Tech Inc., ("Tank Tech") for the exclusive sale and installation of "The Phoenix System™" within the State of Florida (the "Original Agreement"). This system utilizes Parabeam®, a patented three dimensional glass fabric, to create an internal lining for the secondary containment of underground storage tanks. It is estimated that there are approximately 12,000 to 15,000 single wall petroleum tanks in Florida that need to be replaced or upgraded to secondary containment status by the end of

2009. Internationally, the Company believes there is a 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. In 2007, the Company replaced the Original Agreement with a seven-year supply agreement under which Tank Tech will sell and install the Phoenix System™ tank liner product across the U.S. Under the new agreement ZCL and its affiliates retain the right to market and sell the Phoenix System™ directly to U.S. customers. Tank Tech has non-exclusive marketing rights and has exclusive installation rights for the Phoenix System™ in the U.S.

In 2006, the Company changed its year end from March 31 to December 31 to be consistent with most other companies involved in the energy industries. Therefore, the fiscal period following the March 31, 2006 year end was for the nine months ended December 31, 2006. Appropriate schedules were provided in the Management's Discussion and Analysis to facilitate the financial comparisons of the operations during the transition period.

During the fiscal period ended December 31, 2006, the Company began to self insure the risk associated with the Prezerver warranty program through a subsidiary insurance captive. On November 30, 2006, ZCL incorporated Radigan Insurance Inc. in Montana, U.S.A. There have been no insurance claims in the 10 years of the original Prezerver program; therefore, the Company believes it is not taking on any undue risk in accepting this self insurance risk. Additionally, certain parts included in the Prezerver program are warranted through outside suppliers.

On February 22, 2007, the Company acquired 100% of the shares of XAHC, the sole shareholder of Xerxes. XAHC was a privately held company based in the United States. Xerxes is involved in the design, manufacture and marketing of fibreglass reinforced plastic ("FRP") structural products for the petroleum, chemical, water and wastewater industries with over 260 employees operating from five principal locations in Minnesota, California, Texas, Maryland and Iowa. The final aggregate purchase price for XAHC was USD \$39.6 million (CDN \$46.3 million based on forward exchange contracts), subject to certain post-closing adjustments, including adjustments for working capital and vendor indemnities, payable in cash. The acquisition was funded from the net proceeds received from the Company's "bought deal" private placement offering of subscription receipts, closed in escrow on February 13, 2007 and described in further detail below, with the balance funded with commercial debt financing as further described below.

For more information regarding the acquisition of XAHC and Xerxes, refer to the Business Acquisition Report of the Company dated May 4, 2007, which has been filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The Company closed in escrow a "bought deal" private placement of subscription receipts with a syndicate of underwriters on February 13, 2007 whereby the underwriters purchased as principals 4,000,000 subscription receipts at a price of \$10.00 per subscription receipt for total gross proceeds of \$40.0 million (estimated net proceeds of \$37.6 million after deducting expenses of the offering). Each holder of subscription receipts automatically acquired one common share of the Company (4,000,000 shares issued) in exchange for every one subscription receipt held without the payment of any additional consideration upon closing of the acquisition of XAHC and Xerxes. The shares issued in connection with the private placement were subject to trading restrictions for a four-month period subsequent to issuance.

To facilitate the acquisition of XAHC, the Company entered into a term loan agreement with a commercial bank allowing for a maximum limit of \$20.0 million, bearing interest at an annualized rate of bank prime plus 0.25%, to be used to fund a portion of the acquisition of XAHC and Xerxes. The term loan contains certain restrictive covenants including the

maintenance of certain financial ratios and limitations on capital expenditures and additional debt. The Company utilized \$10.0 million of the term loan to facilitate the purchase.

The acquisition of Xerxes created a number of integration opportunities and while some have been realized, additional technological and operational synergies remain, including the introduction of Parabeam®, the patented three dimensional glass fabric into the manufacturing of the U.S. double wall tank. A primary focus of the Company for 2008 will be the integration of the Xerxes operations to achieve synergies in material costs, freight and production processes.

On August 9, 2007, the Company purchased certain property, plant and equipment from Cara Concrete Products Ltd. (“CARA”) and on October 5, 2007 acquired the remaining operating assets of CARA for a combined cash consideration of \$2,960,000. Acquisition costs of \$51,000 were incurred in respect of the purchase. The business acquisition was accounted for using the purchase method and the consolidated financial statements include the results of operations from October 5, 2007.

DESCRIPTION OF THE BUSINESS

General

The Company's business is the manufacture and distribution of liquid storage systems, including FRP underground storage tanks and above ground storage tanks and related products and accessories. The Company also produces and markets fibreglass lining systems and a three dimensional glass fibre material. Revenue for 2007 totalled \$104.8 million with \$55.9 million coming from the Company's new U.S. operations and \$48.8 million from the Canadian operations (which includes non-U.S. foreign subsidiaries). For the 12 months ended December 31, 2006, the Company generated total revenue of \$55.1 million from the Canadian operations.

There is a growing market acceptance and demand for the Company's fibreglass lining system in both North America and internationally. Management's vision for the Company is to be the leading global provider of economical and environmentally friendly liquid storage solutions. The Company seeks to grow in Canada, the U.S. and internationally by utilizing its strong domestic base, customer alliances and industry leadership. Further, with the acquisition of Xerxes, the Company now has the opportunity to market all of its product offerings throughout the U.S.

The principal customers of the Company's underground storage tanks, above ground storage tanks and related tank lining products and accessories include major oil and natural gas companies, independent oil and natural gas marketers, industrial and commercial buyers and governments. These customers purchase the Company's products in connection with the installation of new, and the replacement of existing, underground and aboveground fuel containment systems. End users in the industrial and commercial markets include trucking companies, car rental agencies, utility companies, contractors and consulting and engineering firms.

Market Overview

To realize its vision, the Company must maintain its position in the North American marketplace, and pursue growth opportunities in related products and markets. Domestic and international markets for the Company's tank manufacturing and tank lining technologies will continue to be developed by leveraging customer relationships and innovative industry leadership.

The Company's Canadian, and new U.S. operations, have been successful in increasing market share in the UGST market by replacing steel tanks with FRP tanks (both single and double wall)

and by replacing single wall tanks with double wall tanks. In Canada, the Company's "Prezerver" system for underground storage tanks and other product innovations have a high level of industry acceptance. The Company plans to roll this program out in the U.S. in 2008.

The Company has also expanded its Canadian market opportunities through product development and acquisitions over the past couple of years. Utilizing proven technology and manufacturing expertise, a number of new products, such as the home heating oil above ground tanks, have been introduced into several market sectors. The Company's product line was further expanded through the Triple M acquisition on April 1, 2005 and the acquisition of the business assets of Durex in May 2004. The acquisition of the business assets of Durex has allowed the Company to access the aboveground storage retail market and the Triple M acquisition has enhanced the Company's production capability and product line.

The Company also designs and manufactures oil-water separators consisting of an UGST structure which has been modified internally through the addition of piping, baffles and plates. These vessels are used to separate and retain spilled oil, diesel or gasoline that has seeped into storm or drainage water. Oil-water separators are often utilized at storage sites which handle and transfer bulk fuels. Applications include government agencies, airports, train yards, ship terminals, truck fuelling sites and agricultural fuel supplies. The Company foresees an increasing market in industrial applications including equipment repair facilities, industrial compressor sites, refineries, industrial sites, truck and car washes, and parking facilities.

With the acquisition of Xerxes in February 2007, the Company obtained a strong presence in the U.S. market. Xerxes primary business is the manufacture and supply of underground fibreglass storage tanks for the petroleum market. The Company believes that there is opportunity to grow revenue from the U.S. petroleum market due to increasing environmental awareness and regulations which are creating opportunities for the Company's fibreglass tanks due to their superior corrosion resistant properties.

In 2007, the Company's new U.S. operations generated about 25% of their revenue from the water and wastewater industry. Over the past few years, the Xerxes operations have generated annual revenue growth from this market in excess of 30%. In 2008, the Company's sales force is being expanded and resources are being dedicated to this sizeable market. Further, with the acquisition of Xerxes, the Company now has the opportunity to market all of its product offerings throughout the U.S.

Internationally, there is a growing need for upgrading both underground storage tanks and above ground storage tanks, driven by environmental legislation and industry standards requiring secondary containment for storage of hazardous liquids, particularly in the petroleum industry.

Distribution and Sales

The Company's underground storage tanks and other products are marketed through direct sales, the use of an internal sales force and through a number of sales agents and distributors. In the U.S., the use of sales agents and distributors is the primary vehicle for the sale of underground storage tanks. Shipments are trucked directly from one of ZCL's strategically located production facilities to their final destination. Orders are processed directly through the Company and customers can contact the sales office electronically or by way of a toll-free telephone number.

The Company's sales representatives target major oil and natural gas companies and independent oil and natural gas distributors in an effort to have products specified by those customers for installation in their service stations or storage facilities. The Company's sales representatives are

also active in the marketing and technical specification process for many customers such as fleet vehicle operators and government agencies. One of the primary responsibilities of the sales representatives is to work with field engineers of oil and natural gas companies, and others responsible for the final selection of fuel containment systems, to promote the specification and use of the Company's products. The sales representatives also deal directly with government regulators, architects, engineers and local dealers to encourage specification of the Company's products by potential customers and to coordinate with the distributors and with the contractors who install the Company's products.

Certain distributors are also responsible for obtaining specifications of the Company's products and addressing the needs and concerns of end users within their territories. The sale of products through distributors is continually being evaluated in order to assess and maximize profitability and customer service.

Competition

The Canadian and U.S. liquid storage manufacturing and distribution industry is highly competitive, and the markets in which the Company competes are subject to global economic and political influences as well as the financial strength of its customers. The Company competes against a number of FRP manufacturers and steel tank manufacturers. The Company believes that it maintains a leading share of the FRP segment of the UGST market in Canada and is the only national manufacturer of FRP liquid storage systems in Canada. In the U.S., the Company estimates that it holds approximately one third of the UGST market. The Company competes primarily on the basis that its products are not subject to corrosion and its reputation for product design, quality, ease of installation and customer service.

Liquid storage system sales are affected by the timing of construction of new service stations and other sites, and the replacement of existing systems by end users, both of which are influenced by inclement weather and general economic conditions. Historically, the third and fourth quarters had the highest levels of activity, corresponding to the seasonality of the installation of underground liquid storage systems in Canada and the northern U.S. As expected, this seasonality has diminished as the Company expanded its product lines into new markets that have different seasonality or that are less influenced by the effect of weather in the timing of installation.

In the U.S., the underground petroleum storage tank market segment is split between vaulted steel tank, jacketed steel tank and fibreglass tank manufacturers. The Company estimates that fibreglass tank manufacturers have a 60% share of U.S. UGST market. Fibreglass manufacturers have historically promoted their underground petroleum storage tanks based on superior corrosion resistant qualities, while it is believed that steel manufacturers have tended to promote their products based on price. There are currently seven UL listed fibreglass storage tank manufacturers in the U.S.

Components

The vast majority of the Company's products are manufactured from FRP, a durable material that has superior corrosion resistant properties. As a result, fibreglass reinforcements and polyester resins are the primary raw materials used by the Company. Other important materials and supplies purchased by the Company include steel plate, aluminum deflector plates, steel man way covers, sensor controls, catalysts, lining materials, solvents and many consumables from paper products to gears and electrical products for the maintenance of its equipment. Raw materials used by the Company are produced in Canada, the U.S. and other foreign countries and are available from a

variety of suppliers. The patented three-dimensional glass fabric used in double wall tanks and tank lining products is manufactured by and available only from the Company's 100% owned subsidiary, Parabeam.

Cycles

In Canada, due to the seasonality of the installation of underground storage tanks, the Company's third and fourth quarters have historically had the highest level of activity. As mentioned above, this seasonality has diminished as the Company expanded its product lines into new markets that have different seasonality or that are less influenced by the effect of weather in the timing of installation.

In the U.S., sales peak in both the late spring and more significantly in the fall reflecting the construction season in the northern third of the country. In addition, the budgeting cycles of large customers tend to push purchases into these months. Service station upgrades are slower during summer months in many regions when gas station traffic is at its peak, although new construction is generally unaffected. Winter installations are minimal in frost belt states. In summary, the second half of the fiscal year is generally stronger than the first half of the year.

Proprietary Protection

The Company relies upon certain patent protection and trademarks to preserve its proprietary technology and its right to capitalize on the results of its research and development activities and, to the extent it may be necessary or advisable, to exclude others from appropriating its proprietary technology. The Company also relies upon trade secrets and proprietary know-how, including UL and ULC production certification, in connection with the manufacture of its products.

Patents

The Company owns Canadian patent no. 2,059,830 and U.S. patent no. 5,204,000 for its oil-water separator using the gravity differential method. The Company also owns certain patents related to the application of the Parabeam fabric in the lining of a tank. ZCL purchased certain other patents in the year ended March 31, 2006 related to the manufacture of three dimensional fabrics throughout North America and specific foreign countries.

The Company has filed Canadian, U.S. and European patent applications for its dual laminated composite material that enables leak-proof entry boots for thermoplastic pipes entering into FRP sumps and containers. These applications are currently pending.

With the acquisition of Xerxes, the Company also acquired a portfolio of 30 active patents as well as a number of patent applications that are either pending or in the patent examination process. This patent portfolio primarily includes patents in the United States and Canada.

In general, the Company pursues a policy of obtaining patent protection both in Canada, the U.S. and in selected foreign countries for subject matter considered patentable and important to its business.

Brand Names, Trademarks and Trade Names

The Company primarily operates under the ZCL brand name in Canada and the Xerxes brand name in the U.S. The Company also relies, in part, upon its Canadian and U.S. trademarks, both registered and unregistered, to protect the market identification and goodwill the Company has

established in its technology and branding. The Company owns Canadian trademark registrations for "Everlast", "Greentank", "Prezerver", "Protector Tanks", "Protektor", "Rezervert" and "ZCL". The Company also owns the U.S. trademark registration for "ZCL-U.S.A, Inc." and "The Phoenix System™" in respect of marketing its products in the U.S. Registered Canadian trademarks "Hydroguard" and "Parabeam" are additional trademarks used by the Company under license from OCF and Parabeam, respectively. The "Parabeam" trademark is also registered in the United States and certain European and Asian countries. The Company markets underground storage tanks using the "Everlast", "Greentank", "Prezerver", "Protector Tanks", "Rezervert" and "ZCL" trademarks; above ground storage tanks using the "Protektor" and "ZCL" trademarks; and tank lining systems for industrial and oilfield storage tanks using the "Everlast", "Lifeline System™" and "ZCL" trademarks.

Xerxes owns a portfolio of 19 trademarks registered in nine countries including the United States and Canada consisting of U.S., Canadian, Mexican, the European Community, Japanese, Australian, Indonesian, Taiwanese and Venezuelan trademark registrations for "XERXES", U.S. and Mexican trademark registrations for "XTANK", U.S. and Japanese trademark registrations for "TRUCHEK" and U.S. trademark registrations for "TWT" and "RST".

Licenses

The Company's U.S. operations have licensees in the Philippines, New Zealand, Venezuela, Peru, Columbia, Ecuador, Argentina, Uruguay, Australia, Papua, New Guinea, Singapore, Malaysia, Indonesia, Thailand and Brunei. Fees collected are based on the sales of product utilizing Xerxes technology. Currently, this revenue stream is not significant to the overall operations.

Warranties and Environmental Policies

The Company manufactures and sells liquid storage products that have a direct impact on the environment. The Company generally warrants its products for a period of one year after sale, and for up to thirty years for corrosion, if the products are properly installed and are used solely for storage of listed liquids. The Company's complete storage systems marketed under the Prezerver™ trademark carry an enhanced ten year warranty covering product replacement and pollution protection up to the limits allowed under the policy. Until December 1, 2006, the Prezerver warranty was covered by insurance underwritten by a major international insurer. Effective, December 1, 2006, the Company formed an insurance captive to insure the Prezerver program. In the ten years the Company has been involved with the Prezerver program, a single claim has not been registered. Additionally, certain component materials and parts are similarly warranted by their manufacturers, thereby reducing the Company's exposure to warranty claims.

The Company provides for warranty obligations based on a review of products sold and historical warranty cost experience. Provisions for warranty costs are charged to manufacturing and selling costs and revisions to the estimated provision are charged to earnings in the period in which they occur. The Company maintains high quality standards at its production facilities, uses only reputable suppliers for raw materials and other products, and has an unblemished history of no liability or warranty problems under the Prezerver system. There can be no assurance that third party or self insurance will sufficiently cover all potential claims. The actual costs of warranties may vary from those estimated, and the difference may be material.

Foreign Operations and Economic Dependence

With the acquisition of Xerxes in February 2007, a significant portion of the Company's sales and manufacturing operations are now located in the U.S. In 2007, 53% of the Company's revenue

was generated in U.S. dollars by the U.S. operations. The Company also has four manufacturing facilities in the U.S. which are located in Anaheim, Maryland, Texas and Iowa and a sales and administration office in Minnesota. As a result, the Company has significant exposure to U.S. economic conditions and political environment, fluctuations in the Canadian and U.S. exchange rate and U.S. laws, regulations and legal environment.

Parabeam, a wholly-owned subsidiary of DWT Holdings B.V. in The Netherlands, manufactures a three-dimensional fabric which is an integral component of the Company's double wall tanks and tank lining products. This business involves risks associated with foreign economic, political, cultural and legal jurisdictions and foreign suppliers and customers. Historically, about half of Parabeam's sales are directly to the Company with the other half to third party customers.

Facilities and Employees

The Company's principal place of business is located in Edmonton, Alberta. The Company operates manufacturing facilities in Edmonton, Alberta (four locations); Drummondville, Quebec; Waverley, Nova Scotia; Nisku, Alberta; and Helmond, The Netherlands.

As at December 31, 2007, the Company and its subsidiaries owned approximately: (i) twelve acres of land in Edmonton, Alberta, which included 38,000 square feet of manufacturing and office space; (ii) eight acres of land in Drummondville, Quebec on which is located approximately 45,000 square feet of manufacturing and office space; and (iii) approximately four acres of land in Waverly, Nova Scotia, which included approximately 16,000 square feet of manufacturing and office space. The Company's manufacturing plant in Drummondville, Quebec was ISO 9002 certified in November 1999 and in May 2000, the Company's Edmonton, Alberta facility was also certified ISO 9002. These two facilities have since been updated to ISO 9001:2000.

As at December 31, 2007, the Company and its subsidiaries leased the production facilities in Nisku, Alberta (6,000 square feet); Helmond, The Netherlands (10,000 square feet); and one of the facilities in Edmonton, Alberta (25,000 square feet). The Company also leases a storage facility (12,000 square feet) in close proximity to its manufacturing facility in Edmonton, Alberta, as well as another storage facility (5,000 square feet) for its tank lining system also in the vicinity of its Edmonton, Alberta production facility. In addition, it leases approximately 2 acres of bare land, also for storage purposes, in Edmonton, Alberta. The Company leases approximately 30,000 square feet of additional manufacturing and office space in Edmonton, Alberta for its Corrosion division.

As of December 31, 2007, the Company employed approximately 260 employees in Canada and the Netherlands.

With the acquisition of Xerxes on February 22, 2007, the Company has expanded its manufacturing facilities by 224,950 square feet through the addition of four manufacturing plants in Anaheim, California (76,650 square feet - leased), Hagerstown, Maryland (in the municipality of Williamsport, Maryland) (57,500 square feet - leased), Seguin, Texas (55,600 square feet - leased) and Tipton, Iowa (35,200 square feet - owned).

The U.S. operations currently employ approximately 260 employees in the U.S.

Segmented Activity

Operating segments are defined as components of the Company for which separate financial information is available that is evaluated regularly by the chief operating decision maker in

allocating resources and assessing performance. The chief operating decision maker of the Company is the Chief Executive Officer. The Company operates substantially all of its activities in one reportable segment, liquid containment storage systems (including fibreglass underground and aboveground storage tanks and related products and accessories). Previous to the fiscal year ended December 31, 2007, fibreglass home heating oil tank operations also qualified as a reportable segment. This segment no longer meets the criteria for a reportable segment. Revenue is attributed to the geographic area based on location of the Company's operations. The revenue generated by the Company's non-U.S. operations are included in revenue reported for Canada.

Reorganizations

For a complete list of reorganizations during the three most completed financial years, refer to the "Corporate Structure" section of this AIF.

RISK FACTORS

Certain of the risk factors affecting ZCL and its business are described below and should be carefully considered. The risks and uncertainties described herein are not necessarily all inclusive. Additional risks not presently known or currently deemed immaterial may also impair the Company's business operations and financial performance.

Operations and Business Environment

The activities of the Company are subject to ongoing operational risks including the performance of key suppliers, product performance, proprietary technology and know-how, government and other industry regulations, successful integration of new acquisitions, dependence on key personnel, and reliance on information systems, all of which may affect the ability of the Company to meet its obligations. The ongoing ability to meet the needs of the marketplace is dependent on the development and introduction of new products and services. While management believes its innovation and technology make it a leader in the industry, revenue and results may be affected if products are not accepted in the marketplace, are not approved by regulatory authorities, or if products are not brought to market in a timely manner.

The Company is engaged in competitive markets, subject to global economic and political influences and the financial strength of its customers. The Company is the leading manufacturer of fibreglass underground storage tanks in North America, and its technology and products (high value-added complete liquid storage systems), operating structure, and professional customer service, differentiate it from its competitors. As a result of competition, demand for products could be reduced and revenue and margins may be adversely affected. With the acquisition of Xerxes and the commencement of commercial activity in the Company's tank lining programs, international expansion into global markets and other industries beyond the petroleum industry, the Company's dependency on any particular industry or economic sector will be reduced.

A number of factors, many of which are outside the control of the Company, may cause significant fluctuations in quarterly or annual revenue and operating results. Certainly the Company's core business in the petroleum industry would be negatively impacted with a deterioration of that industry. Broadening the Company's core business will help mitigate exposure to any specific industry. These fluctuations may negatively impact the business and prospects and, in turn, increase the volatility of the share price. Results from prior periods are not necessarily indicative of results for future periods.

Product Claims, Environmental and Insurance Risk

The Company manufactures and sells products that have a direct impact on the environment. Product failures could result in warranty and liability claims and the loss of customers. Correcting such failures or paying for such claims could require significant capital resources and have an adverse effect on operating results. The Company maintains high quality standards at its production facilities, uses only reputable suppliers for raw materials and other products. ZCL also maintains insurance coverage for its assets and operations, including general liability, property, business interruption, boiler and machinery, automobile, directors and officers and other insurance.

Each of the Prezerver liquid storage systems sold by the Company carries an enhanced ten year warranty covering product replacement and pollution protection that is now self insured through the Company's insurance captive, Radigan. Until December 1, 2006, the Prezerver warranty was backed by insurance underwritten by a major international insurer. In November 2006, ZCL incorporated Radigan in the State of Montana. Radigan was capitalized through the issuance of a USD\$ 500,000 Letter of Credit. There have been no insurance claims in the 10 years of the original Prezerver Program. Additionally, certain parts included in the Prezerver program are warranted through outside suppliers. In addition, the Company carries general liability insurance coverage. There is no certainty that insurance will sufficiently cover all potential claims, or that adequate or any insurance can be obtained or maintained. Liability or claims may also arise that cannot be insured or management may choose not to insure due to high premiums or for other reasons.

Accounts Receivable and Credit Risk

The accounts receivable form a significant portion of the Company's balance sheet. Credit risk is spread among many customers and, the Company has not experienced significant accounts receivable collection problems in the past. However, there is no assurance that accounts receivable balances will be collected or paid on a timely basis.

Debt Availability and Interest Rate Risk

The Company requires ongoing working capital and financing to support operations and meet growth objectives. There can be no assurance that the current working capital of the Company will be sufficient to enable the Company to implement all of its objectives. As at December 31, 2007, the Company has a revolving credit facility available to a maximum of \$15.25 million for working capital and other general corporate purposes, subject to certain requirements. The Company also has an \$8.9 million term loan outstanding with a minimum annual repayment of \$2.0 per year. While the Company has met the terms and financial covenants of these lending arrangements, there is no assurance that financing will continue to be available from the current lender or alternative financial institutions on similar terms or at all. For example, beginning in the second half of 2007, difficulties in the mortgage and broader credit markets resulted in a relatively sudden and substantial decrease in the availability of credit and credit spreads widened significantly, affecting volatility and liquidity in the debt and equity markets.

The operating lines of credit and term loan facility bear interest at floating rates and changes in interest rates expose the Company to cash flow risk.

There can be no assurance that, if, as and when the Company seeks equity or debt financing, the Company will be able to obtain additional financial resources required to successfully implement

all of its objectives on favourable commercial terms or at all. Any such future financing may also result in additional dilution to existing shareholders.

Foreign Exchange and Operations

The Company's operating results are reported in Canadian dollars, however with the acquisition of Xerxes in February 2007, a significant portion of the Company's sales and manufacturing operations are now located in the U.S. In 2007, about half of the Company's revenues and expenses were generated or incurred in U.S. dollars. In addition, the Company's subsidiary, Parabeam, is located in the Netherlands and its operating results are denominated in the Euro. As a result, the Company's operating results are subject to fluctuations in the value of the Canadian dollar relative to the U.S. dollar and the Euro. The Company does not maintain an active hedge program. In addition to exchange risk, the Company is subject to risks related to cultural, political, legal and economic factors in the U.S. and the Netherlands.

The Company does not have any substantial operations or obligations in other foreign countries where exchange rates or operations are considered volatile.

Patents and Proprietary Rights

The Company's success depends, in part, on its ability to obtain and maintain patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties or having third parties circumvent the Company's rights. The Company has obtained grants of patents in Canada, the United States and other countries internationally, or the right to use such patents. There can be no assurance that the Company will develop additional proprietary products that are patentable, that such patents will not be challenged by third parties, that the patents of others will not impede the ability of the Company to do business, or that third parties will not be able to circumvent the Company's patents. Furthermore, there can be no assurance that others will not independently develop products similar to those of the Company or design around the patented products developed by the Company.

Labour Shortages and Material Prices

Periods of high construction activity can create shortages of labour and material. With the rapidly expanding market in Alberta, general shortages of tradesmen and management personnel are occurring and this condition is expected to continue for several years. The Company has attempted to mitigate the situation through competitive remuneration, enhanced in-house training programs and expanded recruiting, both within Canada and internationally. These shortages may cause limits on the growth of the Company's business and could potentially affect margins and profitability.

Ability to Manage Growth

The Company's recent growth has placed significant demands on the Company's management, systems and other resources. As part of the Company's growth strategy, it will have to attract, train, provide incentives for and retain skilled employees. The Company failing to do so, or the Company being otherwise unable to manage its growth effectively, could potentially affect the quality of the Company's products, margins and profitability.

DIVIDENDS

On March 18, 2008, the Company declared a cash dividend of \$0.12 per common share, payable on April 17, 2008 to shareholders of record on April 3, 2008. In the past three years, on March 9, 2007, June 20, 2006 and June 15, 2005 the Company has declared dividends in the amounts of \$0.10, \$0.10 and \$0.08 per common share, respectively.

The payment of dividends will be reviewed annually by the Board of Directors, based on year-end results. Any future determination to pay any dividend will be at the discretion of the Board of Directors and will be dependent upon ZCL's earnings, capital requirements and financial position, as well as general economic conditions, bank lending requirements and other factors deemed relevant.

CAPITAL STRUCTURE

Description of Capital Structure

The Corporation is authorized to issue an unlimited number of Common Shares of which 26,445,529 Common Shares were issued and outstanding as fully paid and non-assessable on December 31, 2007. On March 18, 2008, there were 26,445,529 Common Shares issued and outstanding.

Common Shares

The holders of Common Shares are entitled to vote at any meeting of shareholders of the Corporation, to receive any dividend if, as and when declared by the directors of the Corporation, and upon the dissolution, liquidation, winding up or other distribution of the Corporation's property among its shareholders for the purpose of winding up its affairs, to receive the remaining property of the Corporation. The foregoing rights attaching to the Common Shares are subject to the rights, privileges, restrictions and conditions attaching to any other class of shares that are created and expressed to rank in priority to the Common Shares.

Options and Warrants

As at December 31, 2007 there were 254,068 stock options outstanding as outlined in Note 12 of the audited financial statements of the Corporation for the fiscal year ended December 31, 2007. As at December 31, 2007 no warrants remain outstanding. For more information on the Corporation's stock option plan please refer to the Company's most recent Information Circular available online on SEDAR at www.sedar.com.

Escrowed Securities and Securities Subject to Contractual Restriction on Transfer

To the Company's knowledge, none of the securities of the Company are held in escrow or are subject to a contractual restriction on transfer, other than contractual restrictions on transfer as a result of pledges made to lenders.

MARKET FOR COMMON SHARES

Trading Price and Volume

The Common Shares of the Corporation were listed for trading on the TSX under the trading symbol "ZCL" on September 29, 1995 following the successful completion of the Corporation's initial public offering.

The following table sets forth the market price ranges and the total volume of trading of the Common Shares on the TSX for the period indicated:

2007	Open (\$)	High (\$)	Low (\$)	Close (\$)	Volume (Common Shares)
December	10.37	10.80	9.26	10.80	786,700
November	12.85	13.29	9.15	10.14	912,800
October	11.40	13.40	11.15	13.00	1,171,800
September	9.85	11.97	9.85	11.43	1,085,000
August	9.63	11.85	8.15	9.97	1,736,300
July	10.19	10.83	9.23	9.64	1,752,500
June	11.30	11.70	10.00	10.25	2,505,300
May	15.10	15.49	10.35	11.25	2,261,600
April	13.75	15.55	13.11	15.10	1,914,800
March	13.35	14.50	13.25	13.70	1,561,800
February	13.39	14.00	12.50	13.50	970,100
January	10.49	14.06	9.37	13.25	2,309,500

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets out a brief biography of each of the directors and executive officers of the Corporation, which includes a description of their principal occupations for the last five years. The Corporation's directors are re-elected annually at the Corporation's annual shareholders meeting.

Name and Municipality of Residence and Office Held, if any	Principal Occupation For Last Five Years	Date First Elected as a Director	Number and Percentage of Voting Shares Beneficially Owned, or Controlled or Directed, directly or indirectly⁽⁶⁾ as at December 31, 2007
Venence G. Côté ⁽³⁾⁽⁴⁾ Beaumont, Alberta, Canada President and Chief Executive Officer	Mr. Côté is the Corporation's President (since April 12, 1989) and Chief Executive Officer (since October 3, 1987).	September 14, 1987	130,700 ⁽⁷⁾⁽⁸⁾ 0.49%

Name and Municipality of Residence and Office Held, if any	Principal Occupation For Last Five Years	Date First Elected as a Director	Number and Percentage of Voting Shares Beneficially Owned, or Controlled or Directed, directly or indirectly ⁽⁶⁾ as at December 31, 2007
<p>The Honourable James S. Edwards, P.C. ^{(2) (3) (5)} Edmonton, Alberta, Canada Chairman of the Board</p>	<p>Mr. Edwards served as the Chair of the Board of The Inspections Group Inc., a private company in the service sector from September 2005 to September 2007. Until June 30, 2006, Mr. Edwards was the Chair of the Board of Governors for the University of Alberta. Prior to that Mr. Edwards served as the Chair for the Strategy Council for the Alberta Heart Institute and a member of the Board of Trustees for the Alberta Ingenuity Fund; prior thereto he was President and CEO of Economic Development Edmonton and from 1984 to 1993 was an Edmonton Member of Parliament wherein he was sworn to the Privy Council when he joined the Federal Cabinet as President of the Treasury Board.</p>	<p>August 19, 2002</p>	<p>14,000 0.05%</p>
<p>Fred J. Dyment ^{(1) (3) (5)} ⁽¹⁵⁾ Calgary, Alberta, Canada</p>	<p>Mr. Dyment is an independent businessman. From November 2000 to May 2001, he was President & CEO of Maxx Petroleum. For 9 years prior, he was President & CEO of Ranger Oil Ltd. He currently serves on the boards of ARC Energy Trust, Tesco Corporation, Transglobe Energy Corp., Western Zagros Resources Ltd. and other private companies.</p>	<p>September 27, 2002</p>	<p>25,000 0.09%</p>
<p>Rod Graham ^{(1) (2) (3) (5)} Calgary, Alberta, Canada Vice Chairman of the Board</p>	<p>Mr. Graham is presently the Co-Founder and Managing Director of Northern Plains Capital Corporation. From October of 2004 to August of 2005 he worked in institutional sales with Peters & Company. From September 1998 to September 2004, Mr. Graham served as an officer of ARC Financial Corporation in a variety of roles that ultimately led to a position of heading up a group of professionals responsible for investing capital in the Oilfield Services and Energy Technology sectors. He currently serves on the board of Horizon North Logistics Inc. and one other private company. Mr. Graham was previously a director of the Corporation from September of 2002 to September of 2004.</p>	<p>December 5, 2005</p>	<p>900,000⁽⁹⁾ 3.40%</p>

Name and Municipality of Residence and Office Held, if any	Principal Occupation For Last Five Years	Date First Elected as a Director	Number and Percentage of Voting Shares Beneficially Owned, or Controlled or Directed, directly or indirectly ⁽⁶⁾ as at December 31, 2007
Harold Roozen ^{(2) (3) (5)} Edmonton, Alberta Canada	Mr. Roozen is currently the Chairman and CEO of CCI Thermal Technologies Inc. He also serves on the board of Shaw Communications Inc., the Edmonton Eskimos, and the Edmonton Community Foundation – investment committee. He was previously Chairman of WIC Western International Communication Inc., and President of the Allarcom Group of privately held companies.	May 15, 2007	10,000 0.04%
Allan Olson ^{(1) (3) (4)} Edmonton, Alberta, Canada	Mr. Olson is the Chairman and CEO of First Industries Corporation. He also serves on the board of directors of Brookfield Properties Corporation and Carma Developers. Mr. Olson has also served on the boards of IPSCO Inc. from 1988 to 2007 and Summit Reit from 2000 to 2007.	May 15, 2007	12,000 0.05%
Darin R. Coutu Edmonton, Alberta, Canada Chief Financial Officer	Mr. Coutu is the Corporation's Chief Financial Officer and has acted in that capacity since October 15, 2007. Prior to joining ZCL, Mr. Coutu was the Chief Financial Officer of Rentcash Inc. from June 2005 to October 2007. Prior to that he was the Senior Assistant Vice President Finance and Chief Accountant of Canadian Western Bank from December 2002 to June 2005. Previously, he was a Senior Principal with KPMG LLP and Chief Financial Officer for Scaffold Connection Corporation.	Not Applicable	1,000 ⁽¹⁰⁾ 0.00%
Bernie Lafferty Edmonton, Alberta, Canada Vice-President Finance and Assistant Corporate Secretary	Mr. Lafferty is the Corporation's Vice-President Finance and has acted in that capacity since November 15, 2005. Mr. Lafferty is a chartered accountant and has an MBA. Prior to joining the Company, Mr. Lafferty was the Vice President Finance with CompuVision Systems from April 2004 to November 2005. Prior to that position, he was VP Finance and Administration with Black Cat Blades Inc., from January 2000 to April 2004. He has served in senior financial roles in public and private companies in both Canada and the United States.	Not Applicable	3,900 ⁽¹¹⁾ 0.01%

Name and Municipality of Residence and Office Held, if any	Principal Occupation For Last Five Years	Date First Elected as a Director	Number and Percentage of Voting Shares Beneficially Owned, or Controlled or Directed, directly or indirectly ⁽⁶⁾ as at December 31, 2007
<p>Ronald J. Fink Leduc, Alberta Canada Executive Vice-President</p>	<p>Mr. Fink was named the Corporation's Executive Vice-President in February 2008. Prior to that date, Mr. Fink was ZCL's Vice-President, Operations and Marketing (since June 2004). Prior thereto, he acted as the Corporation's National Operations Manager (April 1995 to May 2004) and in various other capacities with the Corporation from March 1990 to March 1995.</p>	<p>Not Applicable</p>	<p>124,345⁽¹²⁾⁽¹³⁾</p>
<p>Gary Steadman Edmonton, Alberta Canada Vice-President, Engineering</p>	<p>Mr. Steadman is the Corporation's Vice-President, Engineering (since April 2003). Prior thereto, from October 1998 to December 1997, Mr. Steadman acted as the Corporation's Director of Engineering. Since 1978 to the present, he has also acted as President and Chief Executive Officer of R P Engineering Inc., a private company controlled by him which has a permit to practise engineering in Alberta.</p>	<p>Not Applicable</p>	<p>225,111⁽¹⁴⁾ 0.85%</p>
<p>Kevin L. Lynch St. Albert, Alberta, Canada Corporate Secretary</p>	<p>Mr. Lynch was appointed Corporate Secretary of ZCL effective August 9, 2006.</p> <p>Mr. Lynch is a partner of the Bennett Jones LLP law firm practicing in the Corporate/Commercial Department and a member of the Securities, Mergers and Acquisitions, and Real Estate Groups. Mr. Lynch received his L.L.B. from the University of Alberta and is a member of the Law Society of Alberta. Mr. Lynch is also a director of Imperial Equities Inc., a TSX Venture listed company.</p>	<p>Not Applicable</p>	<p>2,500 0.01%</p>
<p>Ronald Bachmeier Minneapolis, Minnesota, United States Chief Operating Officer</p>	<p>Mr. Bachmeier was appointed Chief Operating Officer of ZCL in February 2008. He is in the process of relocating to Edmonton. Prior to being appointed COO, Mr. Bachmeier was the Chief Operating Officer of the U.S. operations from February 22, 2007, the date of acquisition. Prior to that, Mr. Bachmeier was the Chief Financial Officer with Xerxes Corporation Inc. Ron joined Xerxes in 1986.</p>	<p>Not Applicable</p>	<p>2,500</p>

Notes:

- (1) Members of the Audit Committee.
- (2) Members of the Compensation Committee.
- (3) Members of the Governance Committee.
- (4) Members of the Environmental, Health and Safety Committee.
- (5) Members of the Nominating Committee.
- (6) Information as to shares beneficially owned, or controlled or directed, directly or indirectly, is based upon information furnished to the Corporation by the executive officers and directors.
- (7) Includes 42,300 Common Shares held by Côté Holdings Ltd., of which Mr. Côté shares voting and investment power with his spouse and 88,400 Common Shares held directly.
- (8) Mr. Côté also holds stock options for an additional 16,500 Common Shares. Assuming no other changes in share capital but the exercise of the stock options held by Mr. Côté, upon such exercise Mr. Côté would beneficially own, or control or direct, directly or indirectly, 147,200 Common Shares or 0.56% of the issued Common Shares of the Corporation.
- (9) Mr. Graham is an officer and director and 50% shareholder of Northern Plains Capital Corporation, which manages two capital funds that own 900,000 Common Shares. Mr. Graham also holds stock options for an additional 50,000 Common Shares. Assuming no other changes in share capital but the exercise of the stock options held by Mr. Graham, upon such exercise Mr. Graham would beneficially own, or control or direct, directly or indirectly 950,000 Common Shares or 3.59% of the issued Common Shares of the Corporation.
- (10) Mr. Coutu also holds stock options for 11,400 Common Shares. Assuming no other changes in share capital but the exercise of the stock options held by Mr. Coutu, upon such exercise Mr. Coutu would beneficially own, directly or indirectly, 12,400 Common Shares or 0.05% of the issued Common Shares of the Corporation.
- (11) Mr. Lafferty also holds stock options for 66,667 Common Shares. Assuming no other changes in share capital but the exercise of the stock options held by Mr. Lafferty, upon such exercise Mr. Lafferty would beneficially own, directly or indirectly, 70,567 Common Shares or 0.27% of the issued Common Shares of the Corporation.
- (12) Includes 124,245 Common Shares held directly and 100 Common Shares held by Joanne Fink, Mr. Fink's sister.
- (13) Mr. Fink also holds stock options for an additional 59,500 Common Shares. Assuming no other changes in share capital but the exercise of the stock options held by Mr. Fink, upon such exercise Mr. Fink would beneficially own, directly or indirectly, 183,845 Common Shares or 0.69% of the issued Common Shares of the Corporation.
- (14) Includes 79,100 Common Shares held by 345439 Alberta Ltd., a company controlled by Mr. Steadman, 16,400 Common Shares held by Mr. Steadman through an RRSP account and 129,611 Common Shares held directly.
- (15) Mr. Dymont is not standing for re-election as a director.

As a group as at December 31, 2007, the directors and executive officers beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 1,451,056 Common Shares, or 5.49% of the total outstanding Common Shares. As a group as at December 31, 2007, the directors and executive officers of the Corporation beneficially owned, or controlled or directed, directly or indirectly, 204,067 options for Common Shares, or 80.3% of the issued and outstanding options for Common Shares under the Corporation's stock option plan. If all of such options were exercised, assuming no other changes in the number of the Corporation's outstanding Common Shares, the directors and executive officers of the Corporation, as a group, would beneficially own, or control or direct, directly or indirectly, an aggregate of 1,655,123 Common Shares or 6.3% of the issued and outstanding Common Shares.

The information in this Annual Information Form as to Common Shares beneficially owned, or controlled or directed, directly or indirectly, by the directors and officers, of the Corporation not being within the knowledge of the Corporation, has been furnished by such directors and officers.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease-Trade Orders or Corporate Bankruptcies

Except as described below, to the knowledge of the Company, no director or executive officer of the Company, or any personal holding company of any such person, is or has been, within the preceding 10 years, a director, chief executive officer or chief financial officer of any company that

- a) was subject to a cease-trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in any case that was in effect for a period of more than 30 consecutive days, (any such order referred to in the remainder of this section as an "order") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- b) was subject to an order that was issued, after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as described below, to the knowledge of the Company, no director or executive officer of the Company, or any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or any personal holding company of any such person, is or has been, within the preceding 10 years, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold its assets.

Mr. Darin R. Coutu, the Chief Financial Officer of the Company, was involved with a company that made a proposal under legislation relating to bankruptcy and was subject to an arrangement with its creditors. Mr. Coutu joined Scaffold Connection Corporation ("Scaffold") as Chief Financial Officer and Treasurer in July 1999. On December 23, 1999, an application was made to the Court of Queen's Bench of Alberta (the "Court") by Scaffold's principal lender, under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA") respecting, among other things, a stay of all actions, suits and proceedings, and the filing of a formal plan of arrangement and compromise (the "Plan of Arrangement") involving Scaffold and its creditors. The Plan of Arrangement was approved by its shareholders on August 18, 2000, by its creditors on August 14, 2000 and August 15, 2000 and by the Court on December 8, 2000.

In conjunction with the above financial difficulties, Scaffold was not able to file its restated 1998 audited financial statements and 1999 audited financial statements in the time required. As a result, the Alberta Securities Commission ("ASC") issued an interim cease trade order on May 26, 2000 in respect of Scaffold. On June 9, 2000, the ASC issued a cease trade order in respect of Scaffold. On December 19, 2000, after Scaffold filed its financial statements and had its Plan of Arrangement approved, the ASC issued an order revoking the cease trade order. The Ontario Securities Commission also issued orders similar to those issued by the ASC.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company, or any shareholder, holding a sufficient number of securities of the Company to affect materially the control of the Company or any personal holding company of any such person, is or has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision concerning the Company's securities.

Personal Bankruptcies

To the knowledge of the Company, no director or executive officer of the Company, or any shareholder, holding a sufficient number of securities of the Company to affect materially the control of the Company, or any personal holding company of any such person, is or has within the preceding 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

The foregoing information pertaining to cease-trade orders, bankruptcies, penalties and sanctions has been furnished by the directors and executive officers of the Company and holding a sufficient number of securities of the Company to affect materially the control of the Company as applicable.

Conflicts of Interest

Conflicts of interest may arise as a result of the directors and officers of the Company or its subsidiaries also holding positions as directors and/or officers and/or shareholders of other companies. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation of assets and businesses, with a view to potential acquisition of interests in businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers may be in direct competition with the Company or its subsidiaries. In accordance with the CBCA, directors are required to act honestly, in good faith and in the best interests of the Company. In addition, directors in a conflict of interest position are required to disclose such conflicts to the Company and are subject to the further requirements of the CBCA with respect to such conflicts.

Legal Proceedings

In the normal conduct of operations, various legal claims or actions are pending against the Company in connection with its products and/or other commercial matters. The Company carries liability insurance, subject to certain deductibles and policy limits, against such claims. Based on advice and information provided by legal counsel, management believes that no provision for these matters is required and that their ultimate resolution will not have a material adverse effect on the financial position of the Company or its operations. The amount of loss, if any, incurred upon resolution of these matters will be recorded in the period in which the uncertainty regarding the matter is resolved and the amount of the loss can be reasonably estimated.

Regulatory Actions

Management is not aware of any regulatory action taken against the Company.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below, management of the Corporation is not aware of any material interest, direct or indirect, of any director or executive officer of the Corporation, or any shareholder of the Corporation who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares of the Corporation, or any known associate or affiliate of any of the foregoing persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

The Northern Industrial Carrier Group of Companies (which are controlled by Mr. Simon Sochatsky, a director of the Corporation) were paid \$285,000 by the Corporation for trucking services which were supplied to the Corporation at normal commercial rates up to the time of Mr. Sochatsky's resignation from the board of directors of the Corporation on September 18, 2007. Mr. Harold Roozen has been a director of ZCL since May 15, 2007 and is Chairman and CEO of CCI Thermal Technologies Inc. This company was paid \$103,000 for certain products purchased in 2007 (\$53,000 since becoming a director).

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares of the Corporation is Olympia Trust Company at its principal offices in Calgary, Alberta and Edmonton, Alberta.

MATERIAL CONTRACTS

The Corporation did not enter into any material contracts, other than contracts entered into in the ordinary course of business, within the most recently completed financial year or prior to the most recently completed financial year.

INTERESTS OF EXPERTS

Ernst & Young LLP, Chartered Accountants, has audited the financial statements of the Corporation for the year ended December 31, 2007, as set forth in the Annual Report of the Corporation. Ernst & Young LLP, Chartered Accountants, independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants' of Alberta.

PricewaterhouseCoopers LLP, Chartered Accountants, were XAHC's auditor and audited the financial statements of XAHC for the years ended December 31, 2005 and 2006 and provided audit reports with respect to such financial statements, as attached to the Business Acquisition Report of the Corporation dated May 4, 2007, which has been filed on SEDAR at www.sedar.com.

AUDIT COMMITTEE

Composition of the Audit Committee

The Corporation's Audit Committee is composed of the following members: Fred Dymont, Allan Olson and Rod Graham. Mr. Dymont was Chair of the Audit Committee until March 18, 2008 when Mr. Graham was appointed Chair. The responsibilities and duties of the Audit Committee are set forth in its charter, a copy of which is attached as Schedule "A" to this Annual Information Form.

The Board of Directors of the Corporation believes the composition of the Audit Committee reflects a high level of financial literacy and expertise. The Board of Directors has determined that each member of the Audit Committee is 'financially literate' within the meaning of applicable Canadian securities laws based on each member's education and experience, a description of which is set forth below. The Board of Directors has also determined that each member of the Audit Committee is 'independent' within the meaning of applicable Canadian securities laws.

Mr. Dymont is an independent businessman. From November 2000 to May 2001, he was President and Chief Executive Officer of Maxx Petroleum. For nine years prior, he was President and Chief Executive Officer of Ranger Oil Ltd. He currently serves on the Boards of ARC Energy Trust, Tesco Corporation, Transglobe Energy Corp., Western Zagros Resources Ltd. and other private companies. Mr. Dymont received a Chartered Accountant designation from the Province of Ontario in 1972 and is a member of the Alberta Institute of Chartered Accountants. He has over 30 years of financial, business, executive international management experience at two mid-size public corporations where he served as president, chief executive officer and director.

Mr. Graham is Co-Founder and Managing Director of Northern Plains Capital Corporation. Prior to co-founding Northern Plains he served as a Senior Vice President and Director of ARC Financial Corporation. Mr. Graham joined ARC Financials predecessor PowerWest Financial in 1991 and spent in aggregate eleven years with the firm undertaking a variety of roles that ultimately led to a position of heading up a group of professionals responsible for investing capital in the Oilfield Services and Energy Technology sectors. During his 15 year career, Mr. Graham has also worked with RBC Dominion Securities in the role of Research Analyst and Peters & Co in the role of institutional sales.

Mr. Olson is the Chairman and CEO of First Industries Corporation. He also serves on the board of directors of Brookfield Properties Corporation and Carma Developers. Mr. Olson has also served on the boards of IPSCO Inc. from 1988 to 2007 and Summit Reit from 2000 to 2007. Mr. Olson has served in senior management capacities for over 40 years including a number of instances where he has served on the Audit Committee of publicly traded companies.

External Auditor Service Fees

The following summarizes the aggregate fees billed by Ernst & Young LLP, Chartered Accountants, the external auditor of the Corporation, for the year ended December 31, 2007 and the nine months ended December 31, 2006. The Corporation's Audit Committee has implemented a policy (the Audit Committee Charter – see Schedule “A”) restricting the services that may be provided by the auditors and the fees paid to the auditors.

	December 31, 2007	December 31, 2006
Audit Fees ⁽¹⁾	\$348,689	\$172,619
Audit Related Fees ⁽²⁾	36,711	47,611
Tax Fees ⁽³⁾	268,232	1,110
	\$653,632	\$221,340

Notes:

1. Audit fees were for professional services rendered by Ernst & Young LLP for the audit of the Corporation's annual financial statements, review of interim financial statements and services provided in connection with statutory and regulatory filings or engagements. The current year fees were significantly higher as 2006 only had two quarters with the nine month fiscal period and 2007 included the additional costs related to the acquisition of Xerxes.
2. Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not included in Note (1) above.
3. Tax fees were for tax compliance, tax advice and tax planning professional services. These services included tax advisory services related to the acquisition of Xerxes.

ADDITIONAL INFORMATION

Additional information, including information as to directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities; and options to purchase securities is contained in the Company's Information Circular for its most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is provided in the Corporation's audited consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2007.

These and other documents, as well as additional information relating to the Corporation, may be found on the Corporation's website at www.zcl.com and on SEDAR at www.sedar.com and may also be obtained upon request by contacting the Chief Financial Officer, ZCL Composites Inc., 6907 – 36th Street, Edmonton, Alberta, T6B 2Z6 or by fax at (780) 466-6126.

SCHEDULE “A” – AUDIT COMMITTEE CHARTER

1. Role of Audit Committee

The role of the Audit Committee is to assist the Board of Directors (the “Board”) in its oversight of the integrity of the financial and related information of the Corporation including its financial statements, the internal controls and procedures for financial reporting and the processes for monitoring compliance with legal and regulatory requirements and to review the independence, qualifications and performance of the external auditor of the Corporation. Management is responsible for establishing and maintaining those controls, procedures and processes and the Audit Committee is appointed by the Board to review and monitor them.

2. Administrative Matters

The following general provisions shall have application to the Audit Committee:

(a) Appointment of Committee Members and Chairman

- (i) The Board shall, annually at their first meeting following each annual general meeting of shareholders of the Corporation, determine the number of members to serve on the Audit Committee, subject to the minimum size requirements contained herein, and shall elect the members of the Audit Committee from among their number to hold office until the close of the next annual general meeting.
- (ii) Any member of the Audit Committee may be removed or replaced at any time by resolution of the Board of the Corporation. A member of the Audit Committee shall automatically cease to be a member of the Audit Committee upon ceasing to be a director of the Corporation.
- (iii) Unless otherwise designated by the Board, the members of the Audit Committee shall elect a Chairman from among their number and the Chairman shall preside at all meetings of the Audit Committee and shall have a second and deciding vote in the event of a tie. In the absence of the Chairman, the Audit Committee shall appoint one of their members to act as Chairman.

(b) Composition and Qualifications of Audit Committee

- (i) **Size** - The Audit Committee will consist of a minimum of three Directors.
- (ii) **Qualifications** - Except as may be permitted by applicable securities laws, all members of the Audit Committee must be “independent” within the meaning of Multilateral Instrument 52-110 – Audit Committees and be “financially literate” i.e., have the ability to read and understand a balance sheet, an income statement and a cash flow statement. At least one member of the Audit Committee should have “accounting or related financial expertise”, i.e., the ability to analyze and interpret a full set of financial statements, including the attached notes, in accordance with Canadian generally accepted accounting principles.

(c) Meetings of the Committee and Attendees of Meetings

- (i) **Number of Meetings** - The Committee will meet at least four times a year to coincide with each three month ended financial period and each fiscal year end and may hold a portion of each meeting without the presence of management.

- (ii) **Time and Place** - The time at which and the place where the meetings of the Audit Committee shall be held, the calling of meetings and the procedure at such meetings shall be determined by the Audit Committee having regard to the by-laws of the Corporation.
 - (iii) **Quorum** - A quorum of the Audit Committee shall be the attendance of two (2) members thereof.
 - (iv) **Notice** - Notice of every meeting of the Audit Committee shall be given to all members, the CEO and the CFO, and to the external auditor of the Corporation.
 - (v) **Minutes** - Minutes shall be kept of all meetings of the Audit Committee.
 - (vi) **Participation** - A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
 - (vii) **Written Resolution** - A written resolution signed by all the members of the Audit Committee entitled to vote on that resolution at a meeting of the Audit Committee is as valid as if it had been passed at a meeting of the Audit Committee.
 - (viii) **Request of External Auditor** - Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters which the external auditor believes should be brought to the attention of the Board or the shareholders of the Corporation.
 - (ix) **Mandatory Auditor Attendance** - The external auditor of the Corporation shall appear before the Audit Committee when requested to do so by the Audit Committee.
 - (x) **Management Representatives Attendance** - The CEO and the CFO shall be invited to attend all Audit Committee meetings, except private committee sessions and private sessions with the external auditors.
 - (xi) **Invitees of Committee** - The Audit Committee may invite such other officers, directors and employees of the Corporation or its affiliates as it may see fit from time to time to attend at meetings of the Audit Committee and to assist thereat in the discussion of matters being considered by the Audit Committee.
 - (xii) **Independent Meetings** - Notwithstanding that other parties may attend meetings of the Audit Committee, the Audit Committee: (i) shall meet with the external auditor independent of management; and (ii) may meet separately with management.
- (d) **Authority of the Committee**
- (i) **Access** - The members of the Audit Committee shall, for the purpose of performing their duties, have the right of inspecting all the books and records of the Corporation and its affiliates and of discussing such books and records in any manner relating to the financial position of the Corporation with the officers, employees and external auditor of the Corporation and its affiliates.
 - (ii) **Independent Counsel** - The Audit Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Audit Committee and to communicate directly with the internal and external auditors.

3. **Mandate and Responsibilities**

In carrying out its role, the Audit Committee has the following mandate and responsibilities:

(a) **Financial Information and Reporting -**

- (i) to review and discuss with management and the external auditor, as appropriate:
 - (A) the annual audited financial statements and the interim financial statements including the accompanying management's discussion and analysis, and
 - (B) any annual and interim earnings guidance and other releases containing information taken from the Corporation's financial statements prior to their release;
- (ii) to review the Corporation's financial reporting and accounting standards and principles and any proposed material changes to them or their application; and
- (iii) to review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, any prospectuses, annual reports, annual information forms, management's discussion and analysis;

(b) **Internal Controls** - to review, with the CFO, the external auditor and others, as appropriate, the Corporation's internal system of audit controls and the procedures that are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and the Audit Committee shall periodically assess the adequacy of such procedures;

(c) **External Audit -**

- (i) to recommend to the Board, for shareholder approval, the external auditor for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;
- (ii) to review, at least annually, the qualifications of the external auditor;
- (iii) to recommend to the Board the compensation of the external auditor;
- (iv) to evaluate and oversee the audit services provided by the external auditor, pre-approve all audit fees and recommend to the Board, if necessary, the replacement of the external auditor;
- (v) to enquire into and determine the appropriate resolution of any conflict of interest in respect of the external auditor;
- (vi) to oversee the resolution of disagreements between management and the external auditor regarding financial reporting;
- (vii) to pre-approve any non-audit services to be provided to the Corporation or its subsidiaries by the external auditor and the fees for those services;
- (viii) to obtain and review, at least annually, a written report by the external auditor setting out the auditor's internal quality-control procedures, any material issues raised by the auditor's internal quality-control reviews and the steps taken to resolve those issues; and

- (ix) to monitor and review, at least annually, the relationship between the Corporation and the external auditor in order to establish the independence of the external auditor. If there is to be a change of external auditors, the Audit Committee shall review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and documentation required pursuant to National Instrument 51-102 (or any successor legislation) of the Canadian Securities Administrators and the planned steps for an orderly transition period;
- (d) **Risk Management** - to review and monitor the Corporation's major financial risks and risk management policies and the steps taken by management to mitigate those risks; and
- (e) **Compliance** -
 - (i) to review the Corporation's financial reporting procedures and policies to ensure compliance with all legal and regulatory requirements and to investigate any non-adherence to those procedures and policies; and
 - (ii) to establish procedures for the receipt, retention and treatment of any complaint regarding accounting, internal accounting controls or auditing matters including procedures for the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.

4. Specific Procedures

- (a) **Review of Financial Statements** - The Audit Committee will review the Corporation's annual audited financial statements with the CEO and the CFO and then the full Board. The Audit Committee will review the interim financial statements with the CEO and the CFO and may then review them with the full Board.
- (b) **Review of Releases** - The Audit Committee will review any news release containing financial information, including information taken from the Corporation's financial statements, prior to the release of the financial statements to the public. In addition, the CFO may review with the Audit Committee the substance of any presentations to analysts or rating agencies that contain a change in strategy or outlook.
- (c) **Approval of Audit and Non-Audit Services** - In addition to recommending the external auditor to examine the Corporation's financial statements, the Committee must approve any use of that external auditor to provide non-audit services prior to its engagement. It is the Audit Committee's practice to restrict the non-audit services that may be provided by the external auditor in order to minimize relationships that could appear to impair the objectivity of the external auditor.
- (d) **Review and Approval of Hiring Policies** - The Audit Committee must review and approve the Corporation's hiring policies regarding the hiring of any partner, employee, and former partners and employees of the Corporation's existing and former external auditor.
- (e) **Process for Handling Complaints about Accounting Matters** - The Audit Committee has established the following procedure for the receipt, retention and treatment of any complaint received by the Corporation regarding accounting, internal accounting controls or auditing matters:
 - (i) The Corporation will make available and make known special mail and e-mail addresses and telephone numbers for receiving complaints regarding accounting, internal accounting controls or auditing matters.
 - (ii) Copies of complaints received will be sent to the Chair of the Committee and will be retained by the Chair for a reasonable period of time.

- (iii) All complaints will be investigated by the Corporation's finance staff, except as otherwise directed by Chair of the Committee. The Chair of the Committee may request that outside advisors be retained to investigate any complaint.
 - (iv) The status of each complaint will be reported by the Chair of the Committee on a quarterly basis to the full Audit Committee and, if the full Audit Committee so directs, to the full Board.
 - (v) Any director, officer or employee of the Corporation is prohibited from retaliating or taking any adverse action against anyone for raising or helping to resolve a complaint.
- (f) **Evaluation** - The Audit Committee will present to the Board an annual evaluation on the adequacy of this charter and recommend any proposed changes to the Board for approval.
- (g) **Report to Board** - The Audit Committee shall report to the Board on such matters and questions relating to the financial position of the Corporation or any of its affiliates as the Board may from time to time refer to the Audit Committee.