

ZCL COMPOSITES INC.

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2008

March 23, 2009

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GLOSSARY OF TERMS

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

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

"FRP" means fibreglass reinforced plastic;

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

"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;

"TSX" means the Toronto Stock Exchange;

"UL" means Underwriters' Laboratories;

"ULC" means Underwriters' Laboratories of Canada;

"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. On March 10, 2009, the Bank of Canada closing rate for one United States dollar was \$1.2852 Canadian dollars.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements under the heading "Description and Development of the Business" and elsewhere concerning outlook for raw material costs and production efficiencies and future events or the Company's future performance, including the Company's plans, objectives, operations and other activities for 2009 and beyond, and business opportunities and anticipated capital expenditure trends and activity in the petroleum, water and wastewater, international 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 capital expenditures in the petroleum and water and waste water 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" and elsewhere in this Annual Information Form and elsewhere in the Company's Management's Discussion & Analysis for the fiscal year ended December 31, 2008 and in 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 significant economic instability in the world today could have a negative impact on the markets in which the Company operates. Factors such as the economic downturns in the US and Canada, tighter lending standards, volatile capital markets, falling commodity prices, the severity of the US housing crisis and other factors could negatively impact demand 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 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

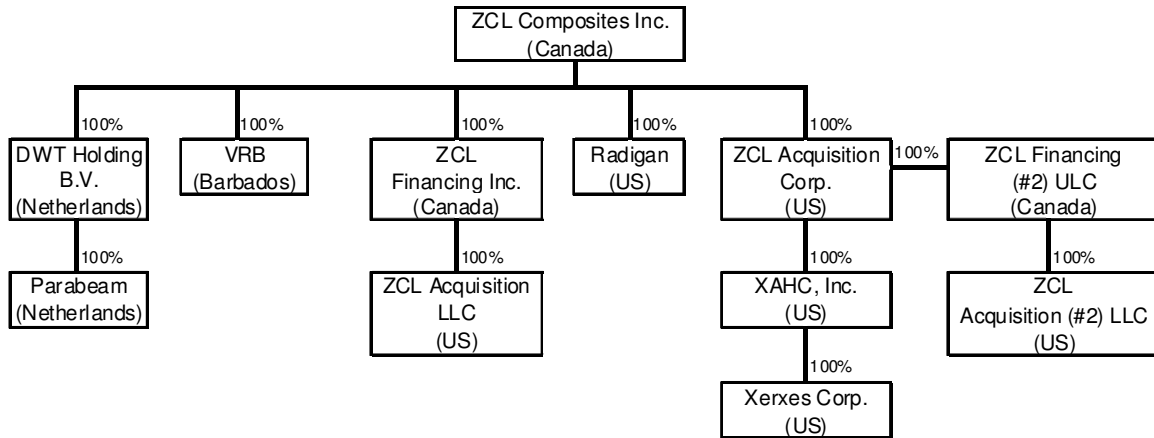
Name, Address and Incorporation

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.

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, 2008, 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 Industrie-En Handelonderneming B.V. ("Parabeam Industrie") pursuant to an arm's length transaction in September 2002. Parabeam Industrie was incorporated pursuant to the laws of The Netherlands on January 10, 1953.

VRB & Associates SRL ("VRB") was incorporated by the Company in Barbados in December 2006.

ZCL Financing Inc. was incorporated by the Company under the laws of Alberta in February 2007. ZCL Acquisition LLC was incorporated by ZCL Financing under the laws of the State of Minnesota in February 2007. ZCL Financing is the sole member of ZCL Acquisition LLC.

Radigan Insurance Inc. ("Radigan") was incorporated by the Company in the State of Montana, US, in November 2006.

ZCL Acquisition Corp. was incorporated by the Company under the laws of the State of Minnesota in February 2007 and on February 22, 2007 acquired 100% of the shares of the holding company XAHC, Inc. and its wholly owned operating subsidiary, Xerxes Corporation ("Xerxes") of Minneapolis, Minnesota. XAHC was incorporated pursuant to the laws of the State of Minnesota on March 29, 1993. Xerxes was originally incorporated pursuant to the laws of the State of Delaware 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".

ZCL Financing (#2) ULC was incorporated by ZCL Acquisition Corp. under the laws of Nova Scotia in August 2007. ZCL Financing (#2) ULC caused the incorporation of ZCL Acquisition (#2), LLC under the laws of the State of Delaware in August 2007. ZCL Financing (#2) ULC is the sole member of ZCL Acquisition (#2), LLC. ZCL Composites Inc. owns preferred shares of ZCL Financing (#2) ULC.

DESCRIPTION AND DEVELOPMENT OF THE BUSINESS

Summary

ZCL is the largest North American manufacturer and distributor of environmentally-friendly fibreglass reinforced plastic (FRP) underground storage tanks (UST). These FRP UST products are used primarily in the downstream retail petroleum storage markets and the water and wastewater storage markets. ZCL manufactures both a single wall, and for secondary containment, a double wall tank, to serve these industries.

As an alternative to UST replacements, ZCL has developed a FRP tank lining system that allows a single wall steel or fibreglass tank to be upgraded to a corrosion resistant secondary contained storage tank while still in the ground. The lining system is currently being implemented in North America and Asia. In addition, ZCL manufactures and distributes a patented, three dimensional glass fibre material called Parabeam[®], which is a key component of double wall tank products and tank lining systems. ZCL also manufactures and distributes a line of FRP home heating oil tanks, primarily for the Northeast US and Eastern Canada residential markets.

ZCL's business also includes the manufacture and distribution of both FRP and steel above-ground storage tanks and related products and accessories. These products are used primarily in the upstream petroleum, industrial and commercial storage tank markets. In addition, ZCL can manufacture specialty fibreglass tanks, pipes and stacks for large-scale industrial projects such as the Northern Alberta oil sands development and coal-fired power plants where resistance to corrosion is a high priority.

Revenue for 2008 totalled \$128.2 million, with \$79.7 million or 62% coming from US operations and \$48.5 million or 38% from Canadian and Foreign operations. For 2007, revenue totalled \$104.8 million, with \$56.5 million or 54% from US operations and \$48.3 million or 46% from Canadian and Foreign operations.

Management's vision is for ZCL to be the leading global provider of environmentally friendly liquid storage solutions. The Company seeks to grow both organically, by utilizing its strong manufacturing base, customer alliances, technological expertise and industry leadership, and by acquisition.

Environmental and Market Trends

The Company's growth strategy takes into account changing environmental trends in the downstream petroleum markets, such as the growing requirements for secondary containment and the broadening use of renewable fuels such as ethanol and biodiesel. In addition, the growing awareness of water as a scarce resource is resulting in an increased demand for water management and storage systems which use the Company's products.

Renewable fuels, such as ethanol and biodiesel, are increasingly being mandated by regulatory authorities as viable substitutes for fossil fuels such as gasoline and diesel fuel. Demand for ZCL's FRP product solutions benefits from the increased use of biofuels because these biofuels create ideal conditions for the growth of naturally occurring, yet very corrosive, microorganisms. This phenomenon, known as Microbial Induced Corrosion (MIC), accelerates the internal corrosion of a steel tank while having no known impact on FRP tanks. Many operators of fuel storage systems in North America still use single wall steel tanks, the product that dominated

the downstream storage tank market prior to the introduction of FRP tanks in the 1970's. Many of these steel tanks must be upgraded or replaced to permit the safe storage of biofuels and blends of petroleum and biofuels.

Another important environmental trend that benefits ZCL is the growing regulatory concern over leaking underground fuel storage tanks. ZCL believes this concern may lead regulators to mandate secondary containment for the storage of hazardous liquids. Current federal EPA regulations in the US, in all but a few states, require that all new UST's being installed shall have secondary containment, which generally means a double wall tank. In ZCL's geographic market areas, the leading jurisdiction for environmental regulations is the State of Florida. It has established a regulation that sets a deadline for the end of 2009 for all single wall underground petroleum storage tanks to be upgraded to secondary containment. This will provide growth opportunities for ZCL tanks and tank lining systems. Over time, other jurisdictions may follow Florida's lead.

The trend toward water conservation and reducing reliance on already overburdened municipal water systems also benefits ZCL since it creates demand for water and wastewater storage tanks. ZCL's tanks are increasingly used in applications that qualify for credits under the sustainable sites and water efficiency categories of the Leadership in Energy and Environmental Design (LEED) Green Building Rating System that has been established by the US Green Building Council. Such credits are available, for example, when water tanks are used to capture gray water or rainwater that is then used in landscape irrigation, reducing the use of potable water for such purposes. ZCL's tanks are also used to process, hold and treat wastewater for decentralized suburban and rural septic systems, and are used to provide onsite storage for fire prevention, rainwater harvesting or storm water retention. ZCL also manufactures and distributes wet wells/lift stations and oil/water separators.

One of the Company's marketing strategies is to warranty its fibreglass tanks for up to 30 years against corrosion, provided the products are installed and used solely for storage of listed liquids. The 30-year warranty became a distinct market advantage in 2008 when the Steel Tank Institute, a trade group representing the majority of North American steel tank manufacturers, reduced to ten years from 30 years the warranty period for new institute-licensed underground steel tanks. The Company also markets a storage system under the Prezerver™ trademark that carries an enhanced protection program.

Recent Acquisitions

ZCL's most significant acquisition took place on February 22, 2007, when it acquired Xerxes Corporation, a leading US manufacturer of underground fibreglass tanks. Prior to the Xerxes acquisition, ZCL's business was primarily in Canada. ZCL's revenues approximately doubled due to the Xerxes acquisition. In 2008, as part of the integration of Xerxes, ZCL introduced its Prezerver program and the use of Parabeam® for double wall tanks manufactured by Xerxes for the US markets.

The final aggregate purchase price for this acquisition was US \$39.6 million (\$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 purchase was funded by a \$40 million (net proceeds: \$37.6 million) equity financing and a term loan agreement allowing for a maximum limit of \$20.0 million. 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.

For more information regarding this acquisition, 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 purchased certain Edmonton real estate, as well as plant and equipment, from Cara Concrete Products Ltd. in 2007 for a combined cash consideration of approximately \$3.0 million. The plant manufactures concrete anchors used to help keep underground tanks in place. The site is also held for potential long-term expansion of ZCL's tank production.

One of the Company's prior acquisitions, in 2005, was Edmonton-based Triple M Fiberglass Ltd. and Triple M Fiberglass Holdings Ltd. The purchase price was \$1.9 million plus acquisition costs. Triple M's business was the manufacture of fibreglass aboveground storage tanks and underground storage tanks, vessels, pipe and other custom environmental products. The acquisition has enhanced the Company's production capability and product lines. Effective January 1, 2008, Triple M was wound up and amalgamated into ZCL.

Products

ZCL's fibreglass reinforced plastic (FRP) storage tanks are offered in single wall or double wall styles, with single or multiple compartments and generally range in volume from 2,500 litres to 110,000 litres. Standard diameters are 4-foot, 6-foot, 8.5-foot and 10-foot. ZCL also manufactures custom sizes to meet specific needs of customers. The Company also manufactures concrete anchors to keep the tanks in place. Prezerver double wall tanks can be dry monitored, pressure or vacuum monitored, or filled with brine in the space between the walls for hydrostatic monitoring. The manufacturing of FRP UST's takes place in six strategically located plants spread across North America. As the tanks are bulky and expensive to transport, these multiple locations in many cases provide ZCL with the competitive advantage of being able to manufacture close to the customer, thereby minimizing freight charges.

Parabeam[®], the Company's patented three-dimensional glass fabric, is used not only for storage tanks and tank liners but also in boats, ships, trucks, cars, trains and as a building material. Among other things, Parabeam[®] advantages include its lighter weight, corrosive resistance and insulation properties compared with other products. Approximately 40% of the output of Parabeam[®] is sold to independent third parties.

ZCL's unique UL and ULC approved Phoenix System[™] tank liner using Parabeam[®] allows in-situ upgrades of a single wall storage tank to a secondary contained system. It is an attractive alternative to tank replacement because the installation process does not disrupt revenue generation from a service station's convenience store operations. The Phoenix System[™] received UL and ULC approval in August 2006 and is in the early stage of market acceptance.

ZCL's aboveground steel tanks and fibreglass-lined steel tanks are used for certain custom industrial applications involving petroleum products and oil and gas production. Aboveground steel tanks are ideal for certain types of remote locations, such as for the storage of aviation fuel for bush pilots. Above ground fibreglass-lined steel tanks are also offered for the renewable fuels production market, in cases where underground storage is not suitable.

ZCL's FRP aboveground home heating oil tanks offer long-term, trouble free service for residential and commercial customers while providing the highest level of environmental protection. These tanks hold either 909 litres (200 Imperial Gallons) or 1,137 litres (250 Imperial Gallons) and are marketed in Canada and the US as "The Safer Tank." The tanks are available with a single wall or a double wall. The double wall tanks come with a built-in visual sight-glass for easy monitoring.

ZCL is a preferred supplier of specialty fibreglass tanks, pipes and stacks for industrial projects because of the superior integrity of its products and its experience in fabrication and cost-effective design.

Customers

The main market for tanks and tank liners is storage of refined petroleum products and renewable fuels such as gasoline, diesel fuel, ethanol and biodiesel. Other important markets for tanks are storage of water, waste water and chemicals.

The principal customers of the Company's products are:

- Petroleum products retailers (also known as the downstream petroleum sector), such as service station and convenience store operators;
- Bulk users of petroleum products, such as trucking companies, car rental agencies and utilities;
- Oil and gas exploration companies (also known as the upstream petroleum sector), mainly for storage for brine that is sometimes produced as a by-product from underground oil and gas reservoirs;
- Pulp and paper companies and chemical producers, for the storage of industrial chemicals; and
- Builders or operators of water storage and wastewater systems for housing projects, campgrounds, resorts and other industrial and real estate developments.

Distribution and Sales

The Company's underground storage tanks and certain other products are marketed through direct sales using an internal sales force and through a network of sales agents and distributors. Shipments are generally delivered directly from the Company's manufacturing plant to the 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 team is to promote the specification and use of the Company's products by working with those customer representatives who are responsible for making decisions relating to the selection of fuel containment systems. These customer representatives may include government regulators, architects, engineers, installing contractors, systems designers and local dealers. The sales representatives also coordinate order processing and delivery logistics with the distributors and contractors who install the Company's products.

For the installation of tank lining systems, which are marketed under the name "The Phoenix System™", ZCL relies on independent third party contractors in Asia and on Tank Tech Inc. of Blodgett, Missouri in the US. In 2007, ZCL and Tank Tech executed an agreement that gives Tank Tech non-exclusive marketing rights and exclusive installation rights for The Phoenix System™ in the US. ZCL and its affiliates retain the right to market and sell The Phoenix System™ directly to US customers. The agreement has a seven year term.

Raw Materials

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 ranging 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 US 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 wholly owned subsidiary, Parabeam Industrie.

Competition

The North American liquid storage tank 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. In the upstream and downstream petroleum storage markets, the Company competes against a number of FRP and steel tank manufacturers. In the water and wastewater markets, the Company competes mainly against pre-cast or cast-in-place concrete tank manufacturers.

The Company competes against other FRP manufacturers primarily on the basis of its reputation for product design, quality, and customer service. The Company competes against steel tank manufacturers primarily on the basis that FRP products are not subject to corrosion, either external or internal. The Company competes against concrete primarily on the basis that concrete is porous and subject to cracking and corrosion, while FRP is not. In addition, installation of factory-made FRP products is often easier, less expensive and less time-consuming than concrete.

In Canada, the Company believes that it is the leading national manufacturer of FRP underground liquid storage systems and the market share for steel UST's in the downstream petroleum segment is negligible. In the US, the Company estimates that it holds approximately a 40% total market share of the downstream petroleum UST market. The US downstream petroleum UST segment is split between steel tank, jacketed steel tank and fibreglass tank manufacturers. The Company estimates that fibreglass tank manufacturers have a 60% market share of the US underground petroleum storage market. There are currently six UL listed fibreglass storage tank manufacturers in the US.

In both Canada and the US, the Company has a negligible share of the market for underground storage of water and wastewater.

Seasonality and Business Cycles

In both Canada and the US, liquid storage system sales are affected by both the timing of construction of new service stations and other sites, and also by the replacement of existing systems by end users. Sales are further influenced by inclement weather and general economic conditions. Historically, the third and fourth quarters have seen the highest levels of sales activity, corresponding to the seasonality of the installation of underground liquid storage systems. This seasonality is expected to diminish as the Company continues to expand 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 US, sales peak in both the late spring and more significantly in the fall reflecting the shorter 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 at lower levels in frost belt states. In summary, the second half of the fiscal year is generally stronger than the first half of the year.

The Company's sales to the upstream petroleum market tends to weaken in times of low energy prices, but for the downstream petroleum market and the water and wastewater market, environmental trends and regulations have the potential to mitigate the impact of an economic downturn.

Patents

ZCL holds a number of active patents in the US, Canada and other countries around the world. The Company also has a number of patent applications that are either pending or in the patent examination process. The expiration dates of issued patents ranges from 2009 to 2022.

These issued and pending patents cover various aspects of ZCL's technology. The Company believes that it has developed a significant international patent portfolio which establishes a broad foundation for ongoing research activities, which continues to yield new and patentable developments. The Company expects to file new patent applications each year to strengthen ZCL's leadership role in fibreglass underground storage tank manufacturing and related businesses.

ZCL's intellectual property program includes a strong competitor-monitoring element; the Company monitors patent activity, technical developments, and market position of competitors. The Company believes that its growing patent portfolio, coupled with a strong enforcement program if and as required, will provide ZCL with an advantage over competitors.

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.

Brand Names, Trademarks and Trade Names

The Company primarily operates under the ZCL brand name in Canada and the Xerxes brand name in the US. The Company also relies, in part, upon its Canadian and US 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 US trademark registration for "ZCL-U.S.A, Inc." and "The Phoenix System™" in respect of marketing its products in the US.

Registered Canadian trademarks "Hydroguard" and "Parabeam®" are additional trademarks used by the Company. Hydroguard is under license from Owens-Corning Fiberglass Corporation and its successor to its tank division, Fluid Containment Inc. in the United States. Parabeam® is used under license from the Company's wholly-owned subsidiary, Parabeam Industrie. 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; aboveground 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 trademarks registered in nine countries including the United States and Canada consisting of US, Canadian, Mexican, the European Community, Japanese, Australian, Indonesian, Taiwanese and Venezuelan trademark registrations for "XERXES", US and Mexican trademark registrations for "XTANK", US and Japanese trademark registrations for "TRUCHEK" and US trademark registrations for "TWT" and "RST".

Licenses

The Company has licensees in the United States, 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 the licensed 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 the materials and workmanship of its fiberglass products for a period of one year after sale, and for up to thirty years for corrosion, provided the products are properly installed and are used solely for storage of listed liquids.

The Company provides for warranty obligations based on a review of products sold and historical warranty cost experience. Certain component materials and parts included in the Prezerver™ program are similarly warranted by their manufacturers, thereby reducing the Company's exposure to warranty claims.

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 and uses only reputable suppliers for raw materials and other products.

Until December 1, 2006, the Company's Prezerver™ warranty program in Canada for ZCL's double wall tanks was covered by insurance underwritten by a major international insurer. Effective December 1, 2006, the Company formed an insurance captive, Radigan Insurance Inc.

of Montana, to insure the Canadian Prezerver program. As a testament to the durability and corrosion resistance of FRP, and to the quality of ZCL's manufacturing processes, there have been no substantiated claims under the Prezerver program since it was initiated by ZCL in 1996.

The Company also began marketing the Prezerver system in the US in 2008. Under this program, the customer is offered a ten year master program of insurance by a third party insurance provider which covers third party property damage, onsite cleanup of pollution conditions, defence costs and product warranty/replacement up to limits allowed under the policy. The tank warranty/replacement portion of the coverage is reinsured by the third party insurance provider through ZCL's insurance captive.

Facilities and Employees

The Company's head office is located in Edmonton, Alberta. The Company operates manufacturing facilities in Canada with locations in Edmonton, Alberta (four locations); Nisku, Alberta; Drummondville, Quebec; and Waverley, Nova Scotia. The Company also operates manufacturing facilities in the US with locations in Anaheim, California; Seguin, Texas; Hagerstown, Maryland; and Tipton, Iowa along with a facility in Helmond, The Netherlands.

As at December 31, 2008, the Company and its subsidiaries owned approximately: (i) sixteen acres of land in Edmonton, Alberta, which included 50,000 square feet of manufacturing and office space; (ii) four acres of land in Nisku, Alberta, which included 10,000 square feet of manufacturing and office space; (iii) eight acres of land in Drummondville, Quebec on which is located approximately 45,000 square feet of manufacturing and office space; (iv) four acres of land in Waverly, Nova Scotia, which included approximately 14,000 square feet of manufacturing and office space; and (v) thirteen acres of land in Tipton, Iowa, which included 35,000 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, 2008, the Company and its subsidiaries leased office and production facilities in Edmonton, Alberta (two facilities - 49,000 square feet); Minneapolis, Minnesota (19,000 square feet); Anaheim, California (77,000 square feet); Seguin, Texas (56,000 square feet); Hagerstown, Maryland (58,000 square feet); and Helmond, The Netherlands (10,000 square feet). The Company also leases a storage facility (21,000 square feet) and land for storage purposes (two acres) in close proximity to its manufacturing facility in Edmonton, Alberta.

As of December 31, 2008, the Company employed approximately 570 employees, with approximately 280 employees in Canada and the Netherlands and 290 employees in the US. All of ZCL's employees are non-unionized except for approximately 65 in the Hagerstown, Maryland plant who belong to the United Automobile, Aerospace and Agricultural Implement Workers of America, Local Union No. 171. They have a collective agreement that expires on January 31, 2011.

Operating Segments

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.

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 both the development and introduction of new products and services and the introduction of existing products to new markets. 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 reinforced plastic 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 may be reduced. However, there can be no assurance that reduced dependency on any particular industry or economic sector will increase revenue and profitability.

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. For example, the Company's core business in the petroleum industry would be negatively impacted with a deterioration of that industry. In addition, economic downturns have the potential to impact the demand for the Company's products. Accordingly, 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. One of the Company's marketing strategies is to warranty its fibreglass tanks for up to 30 years against corrosion, provided the products are installed and used solely for storage of listed liquids. The Company maintains high quality standards at its production facilities and 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. However, 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 markets an enhanced protection program under the Prezerver™ trademark. In Canada, the Prezerver system includes an enhanced ten year limited warranty covering product replacement, third party pollution protection, site clean-up and defence costs up to the limits allowed under the warranty. To mitigate risk, certain parts included in the Prezerver program are warranted through outside suppliers. There have been no substantiated claims since the Company instituted its Canadian Prezerver warranty program in 1996, or since it instituted self-insurance in 2006. In the US, the Company began marketing the Prezerver system in 2008. Under the US program, the customer is offered a ten year master program of insurance by a third party insurance provider which covers third party property damage, onsite cleanup of pollution conditions, defence costs and product warranty/replacement up to limits allowed under the policy. The tank warranty/replacement portion of the coverage is reinsured by the third party insurance provider through ZCL's insurance captive. There have been no substantiated claims against the US Prezerver program. However, there can be no assurance that this current trend will continue. Additionally, 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.

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.

Environmental Trends

The Company expects to benefit from environmental trends, especially the broadening availability of renewable fuels such as ethanol and biodiesel, and increased demand by real estate developers for water systems that reduce water consumption or are independent of a municipal water grid. However, there can be no assurance that these trends will continue or, even if they do, that they will provide the benefit that the Company anticipates.

A particularly important environmental trend is the broadening availability of ethanol and biodiesel as clean, renewable substitutes for gasoline and diesel fuel in many of the Company's geographic markets. Demand for ZCL's fibreglass products benefits from increased availability of biofuels because biofuels create ideal conditions for the growth of naturally occurring, yet very corrosive, microorganisms. This phenomenon, known as Microbial Induced Corrosion, accelerates the internal corrosion of a steel tank while having no impact on fibreglass. However, absent favourable government policies, ethanol and biodiesel may not always be competitive

against petroleum-based fuels. While governments are currently favourably disposed toward renewable fuels such as ethanol and biodiesel, there can be no assurance that future policies will continue to shift towards these fuels.

Another important environmental trend of benefit to ZCL is regulatory concern over leaky underground fuel storage tanks. ZCL believes this concern, which has increased with the broader availability of renewable fuels, will lead regulators to mandate secondary containment for the storage of hazardous liquids. In ZCL's geographic market areas, the leading jurisdiction for environmental regulators is the State of Florida. It has set a deadline for the end of 2009 for all single wall underground petroleum storage tanks to be upgraded to secondary containment. Over time, other jurisdictions may follow Florida's lead. While Florida regulators have repeatedly stated that they will not extend the deadline, there can be no assurance that the deadline will remain in place or that it will benefit ZCL. Additionally, there can be no assurance that other jurisdictions will establish similar rules.

The trend toward reducing water consumption and grid-independent water systems benefits ZCL because it creates demand for water and wastewater storage tanks. ZCL's tanks are increasingly used in applications that qualify for credits under the sustainable sites and water efficiency categories of the Leadership in Energy and Environmental Design (LEED) Green Building Rating System established by the US Green Building Council. However, there can be no assurance that LEED ratings will not be changed, that LEED ratings will be respected by real estate developers, or that ZCL's products will always qualify for LEED credits.

Accounts Receivable and Credit Risk

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 meet its ongoing obligations or enable the Company to implement all of its objectives. As at December 31, 2008, the Company has a revolving credit facility available to a maximum of \$15.0 million for working capital and other general corporate purposes, subject to certain requirements, limited to a prescribed percentage of accounts receivable and inventory balances at a point in time, and reduced by outstanding letters of credit. The Company also has a \$6.5 million term loan outstanding with a minimum annual repayment of \$2.0 million 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 US. In 2008, more than 60% of the Company's revenues and expenses were generated or incurred in US dollars. In addition, the Company's subsidiary, Parabeam Industrie, 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 US 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 US 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. However, there can be no assurance that fluctuations in foreign exchange rates or volatility in foreign economies will not impact the Company's profitability.

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 expanding market in Alberta, general shortages of tradesmen and management personnel have occurred in the past and although not currently the case, this condition could again become a constraint. The Company has attempted to mitigate the situation through competitive remuneration, enhanced in-house training programs and expanded recruiting, both within Canada and internationally. Labour 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 10, 2009, the Company declared a cash dividend of \$0.12 per common share, payable on April 20, 2009 to shareholders of record on April 6, 2009. In the past three years, on March 18, 2008, March 9, 2007 and June 20, 2006 the Company has declared dividends in the amounts of \$0.12, \$0.10 and \$0.10 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 26,455,529 Common Shares were issued and outstanding as fully paid and non-assessable on December 31, 2008. On March 23, 2009, there were 26,455,529 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.

Stock Options

As at December 31, 2007 there were 254,068 stock options outstanding. During December 2008, the Corporation granted an additional 834,100 options as part of the stock option plan and 10,000 shares were issued for options exercised. Accordingly, there were 1,078,168 stock options outstanding as at December 31, 2008 as outlined in Note 13 of the audited consolidated financial statements of the Corporation for the fiscal year ended December 31, 2008. 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:

2008	Open (\$)	High (\$)	Low (\$)	Close (\$)	Volume (Number of Common Shares)
December	3.85	4.59	3.18	4.57	1,324,100
November	4.60	4.79	3.11	4.29	1,135,900
October	6.95	7.10	4.00	4.54	851,200
September	8.48	8.48	6.68	6.84	576,100
August	7.60	8.85	7.00	8.39	754,600
July	8.13	8.55	7.50	7.60	390,000
June	8.36	8.51	7.80	8.47	649,800
May	9.23	9.89	7.95	8.44	1,675,100
April	8.40	9.23	7.50	9.20	916,200
March	9.09	9.09	6.91	8.51	678,500
February	9.48	10.00	9.01	9.10	605,300
January	10.84	11.00	6.65	9.20	1,192,200

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 as at December 31, 2008 ⁽⁵⁾
Venence G. Côté 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	140,600 ⁽⁶⁾⁽⁷⁾ 0.53%
The Honourable James S. Edwards, P.C., LL.D. ⁽³⁾ Edmonton, Alberta, Canada Chair of the Board	Mr. Edwards was appointed Chair of the Natural Sciences and Engineering Research Council of Canada in June 2008. He served as Chair of the Board of The Inspections Group, Inc., a private company, from September 2005 to September 2007. Until June 30, 2006, Mr Edwards was the Chair of the Board of Governors of the University of Alberta. He has served as the Chair of the Strategy Council for the Mazankowski Alberta Heart Institute, and as a Trustee of the Alberta Ingenuity Fund. He was President and CEO of Economic Development Edmonton from 1998 to 2002 and from 1984 to 1993 was an Edmonton Member of the Canadian Parliament, wherein he joined the Federal Cabinet as President of the Treasury Board.	August 19, 2002	16,000 ⁽⁸⁾ 0.06%

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 as at December 31, 2008 ⁽⁵⁾
<p>Roderick W. Graham⁽¹⁾ ⁽²⁾ Calgary, Alberta, Canada Vice Chair 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 Technicoil Corporation (TSX) and two other private companies. 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>
<p>Harold A. Roozen⁽²⁾⁽³⁾ Edmonton, Alberta Canada</p>	<p>Mr. Roozen is currently the Chair 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 Chair of WIC Western International Communication Inc., and President of the Allarcom Group of privately held companies.</p>	<p>May 15, 2007</p>	<p>655,700⁽¹⁶⁾⁽¹⁷⁾ 2.48%</p>
<p>Allan S. Olson⁽¹⁾⁽³⁾⁽⁴⁾ Edmonton, Alberta, Canada</p>	<p>Mr. Olson is the Chair 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.</p>	<p>May 15, 2007</p>	<p>12,000⁽¹⁵⁾ 0.05%</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 as at December 31, 2008 ⁽⁵⁾
<p>David S. Sutherland⁽¹⁾⁽³⁾⁽⁴⁾</p> <p>Waterloo, Ontario Canada</p>	<p>Mr. Sutherland, MBA, joined IPSCO Inc. (NYSE/TSX) in 1977 and remained there until retiring in July 2007, holding the final position of President and CEO from 2002 until 2007. Mr. Sutherland is currently on the board of GATX Corporation, (NYSE); United States Steel Corporation (NYSE); and Transfield Services Limited (ASX). Mr. Sutherland is a member of the Board of Governors of the University of Saskatchewan and has held various industry association capacities including that of Chair.</p>	<p>Director</p>	<p>10,000⁽¹⁸⁾ 0.04%</p>
<p>Leonard A. Cornez⁽¹⁾⁽²⁾⁽⁴⁾</p> <p>Calgary, Alberta Canada</p>	<p>Mr. Cornez is currently an independent businessman who provides financial consulting services to the oilfield service industry and holds the Chief Financial Officer position for both Pacific Iron Ore Corporation and BOS Solutions Ltd. Prior to this, Mr. Cornez was VP and CFO of Enerflex Systems Income Fund from June 2004 to April 2007, VP Finance for Terasen Pipelines Ltd. (2003 to 2004), VP and CFO of Ryan Energy Technologies (2000 to 2002), VP and CFO of Hartland Pipeline Services Ltd. (1999 to 2000) and VP and CFO of Computalog Ltd. (1991 to 1999). Prior to that, Mr. Cornez was employed by Coopers & Lybrand from 1981 to 1991. Mr. Cornez is a Chartered Accountant (Alberta) and a Certified Public Accountant (Illinois) with a BComm from the University of Calgary. Mr. Cornez currently serves on the boards of Pacific Iron Ore Corporation, Technicoil Corporation and Alberta Oil Sands Inc.</p>	<p>Director</p>	<p>6,000⁽¹⁴⁾ 0.02%</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 as at December 31, 2008 ⁽⁵⁾
<p>Anthony (Tony) P. Franceschini⁽²⁰⁾</p> <p>Edmonton, Alberta Canada</p>	<p>Mr. Franceschini is President and Chief Executive Officer of Stantec, Inc., a publicly traded international engineering company. Mr. Franceschini joined Stantec in 1978 becoming chief executive officer in 1998. He has served as a director of Stantec since the company became publicly traded in March 1994. He also serves as a director of Esterline Technologies Corporation (NYSE-ESL), Aecon Group (TSX:ARE) and CCI Thermal Technologies Inc, an Edmonton based privately held manufacturer. Mr. Franceschini is also a member of the not-for-profit University of Alberta Hospital Foundation.</p>	<p>Director February 3, 2009</p>	<p>10,000⁽²⁰⁾ 0.04%</p>
<p>Darin R. Coutu</p> <p>Edmonton, Alberta, Canada</p> <p>Chief Financial Officer</p>	<p>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.</p>	<p>Not Applicable</p>	<p>6,800⁽¹⁰⁾ 0.03%</p>
<p>Ronald M. Bachmeier</p> <p>Edmonton, Alberta Canada</p> <p>Chief Operating Officer</p>	<p>Mr. Bachmeier was appointed Chief Operating Officer of ZCL in February 2008. Prior to being appointed COO, Mr. Bachmeier was the Chief Operating Officer of the US operations from February 22, 2007, the date of acquisition. Prior to that, Mr. Bachmeier was the Chief Financial Officer with Xerxes Corporation, which he joined in 1986.</p>	<p>Not Applicable</p>	<p>7,500⁽¹⁹⁾ 0.03%</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 as at December 31, 2008 ⁽⁵⁾
<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>109,145^{(12)/(13)} 0.41%</p>
<p>Bernie A. Lafferty Edmonton, Alberta, Canada Vice-President Finance and Assistant Corporate Secretary</p>	<p>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.</p>	<p>Not Applicable</p>	<p>3,900⁽¹¹⁾ 0.01%</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>0</p>

Notes:

- (1) Members of the Audit Committee.
- (2) Members of the Compensation Committee.
- (3) Members of the Governance and Nominating Committee.
- (4) Members of the Safety, Health and Environmental Committee.
- (5) 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.

- (6) Includes 42,300 Common Shares held by Côté Holdings Ltd., of which Mr. Côté shares voting and investment power with his spouse and 98,300 Common Shares held directly.
- (7) Mr. Côté also holds stock options for an additional 71,500 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, 212,100 Common Shares or 0.80% of the issued Common Shares of the Corporation.
- (8) Mr. Edwards also holds stock options for 25,000 Common Shares. Assuming no other changes in share capital but the exercise of the stock options held by Mr. Edwards, upon such exercise Mr. Edwards would beneficially own, directly or indirectly, 41,000 Common Shares or 0.15% 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 75,000 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 975,000 Common Shares or 3.67% of the issued Common Shares of the Corporation.
- (10) Mr. Coutu also holds stock options for 56,400 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, 63,200 Common Shares or 0.24% of the issued Common Shares of the Corporation.
- (11) Mr. Lafferty also holds stock options for 86,667 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, 90,567 Common Shares or 0.34% of the issued Common Shares of the Corporation.
- (12) Includes 109,045 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 101,100 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, 210,245 Common Shares or 0.79% of the issued Common Shares of the Corporation.
- (14) Mr. Cornez also holds stock options for 20,000 Common Shares. Assuming no other changes in share capital but the exercise of the stock options held by Mr. Cornez, upon such exercise Mr. Cornez would beneficially own, directly or indirectly, 26,000 Common Shares or 0.10% of the issued Common Shares of the Corporation.
- (15) Mr. Olson also holds stock options for 20,000 Common Shares. Assuming no other changes in share capital but the exercise of the stock options held by Mr. Olson, upon such exercise Mr. Olson would beneficially own, directly or indirectly, 32,000 Common Shares or 0.12% of the issued Common Shares of the Corporation.
- (16) As at December 31, 2008, Mr. Roozen directly or indirectly held 655,700 or 2.48% of the issued Common Shares of the Corporation. Subsequent to year end, Mr. Roozen purchased an additional 565,100 shares through Rocor Holdings of which Mr. Roozen holds voting and investment rights. The total amount of shares owned directly or indirectly increased to 1,220,800 or 4.61% of the issued Common Shares of the Corporation.
- (17) Mr. Roozen also holds stock options for 20,000 Common Shares. Assuming no other changes in share capital but the exercise of the stock options held by Mr. Roozen, upon such exercise Mr. Roozen would beneficially own, directly or indirectly, 1,240,800 Common Shares or 4.67% of the issued Common Shares of the Corporation.
- (18) Mr. Sutherland also holds stock options for 20,000 Common Shares. Assuming no other changes in share capital but the exercise of the stock options held by Mr. Sutherland, upon such exercise Mr. Sutherland would beneficially own, directly or indirectly, 30,000 Common Shares or 0.11% of the issued Common Shares of the Corporation.
- (19) Mr. Bachmeier also holds stock options for 50,000 Common Shares. Assuming no other changes in share capital but the exercise of the stock options held by Mr. Bachmeier, upon such exercise Mr. Bachmeier would beneficially own, directly or indirectly, 57,500 Common Shares or 0.22% of the issued Common Shares of the Corporation.
- (20) Mr. Franceschini was appointed to the Board of Directors on February 3, 2009.

As a group as at March 23, 2009, the directors and executive officers beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 2,442,745 Common Shares, or 9.2% of the total outstanding Common Shares. As a group as at March 23, 2009, the directors and executive officers of the Corporation beneficially owned, or controlled or directed, directly or indirectly, 545,667 options for Common Shares, or 50.6% 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 2,988,412 Common Shares or 11.1% 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.

In September 1999, Mr. Leonard A. Cornez, Director, joined the employ of Hartland Pipeline Services Ltd. ("Hartland"), a public company listed on the TSX as its Vice President Finance and Chief Financial Officer. In November, 1999, Hartland's creditors petitioned the Company into CCAA and subsequently in December, 1999, Hartland was petitioned into bankruptcy. Mr. Cornez was the only member of management retained by the creditors to assist in the liquidation process. In February, 2000, the creditors' debts were satisfied with PriceWaterhouseCoopers acting in favour of the creditors.

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.

Mr. Harold Roozen has been a director of ZCL since May 15, 2007 and is Chair and CEO of CCI Thermal Technologies Inc. This corporation was paid \$137,000 for certain products purchased in 2008 (\$103,000 in 2007).

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 years ended December 31, 2008 and 2007, as set forth in the Annual Report of the Corporation. Ernst & Young LLP, Chartered Accountants, are 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, 2006 and 2005 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: Leonard Cornez, Allan Olson, David Sutherland and Rod Graham. Mr. Dymont was Chair of the Audit Committee until he resigned from the Board on March 18, 2008 when Mr. Graham was appointed temporary Chair until Mr. Cornez was appointed Chair on May 9, 2008. 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. Cornez is currently an independent businessman who provides financial consulting services to the oilfield service industry and holds the Chief Financial Officer position for both Pacific Iron Ore Corporation and BOS Solutions Ltd. Most recently, Mr. Cornez was VP and CFO of Enerflex Systems Income Fund from June 2004 to April 2007. Prior to joining Enerflex, Mr. Cornez was VP Finance for Terasen Pipelines Inc. (2003 to 2004), VP and CFO of Ryan Energy Technologies (2000 to 2002), VP and CFO of Hartland Pipeline Services Ltd. (1999 to 2000) and VP and CFO of Computalog Ltd. (1991 to 1999). Prior to that, Mr. Cornez was employed by Coopers & Lybrand from 1981 to 1991. Mr. Cornez is a Chartered Accountant (Alberta) and a Certified Public Accountant (Illinois) with a BComm from the University of Calgary. Mr. Cornez currently serves on the boards of Pacific Iron Ore Corporation, Technicoil Corporation and Alberta Oil Sands Inc.

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 Chair 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.

Mr. Sutherland, MBA, joined IPSCO Inc. (NYSE/TSX) in 1977 and remained there until retiring in July 2007, holding the final position of President and CEO from 2002 until 2007. He is currently on the boards of GATX Corporation and United States Steel Corporation which are listed on the NYSE and Transfield Services Limited which is listed on the ASX. Mr. Sutherland is a member of the Board of Governors of the University of Saskatchewan and has held various industry association capacities including that of Chair.

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 years ended December 31, 2008 and 2007. 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.

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Audit Fees ⁽¹⁾	\$378,442	\$348,689
Audit Related Fees ⁽²⁾	-	36,711
Tax Fees ⁽³⁾	70,232	268,232
All Other Fees ⁽⁴⁾	97,500	-
	<u>\$546,174</u>	<u>\$653,632</u>

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.
2. Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or interim reviews 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. In 2007, these services included tax advisory services related to the acquisition of Xerxes.
4. Fees related to the services rendered by Ernst & Young LLP in respect of a systems integration project.

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, 2008.

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") of ZCL Composites Inc. (the "Corporation") 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 Chair

- (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 Chair from among their number and the Chair 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 Chair, the Audit Committee shall appoint one of their members to act as Chair.

(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" and "financially literate" within the meaning of Multilateral Instrument 52-110 – Audit Committees and possess:
 - (A) an understanding of the accounting principles used by the Corporation to prepare its financial statements;
 - (B) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
 - (C) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be

reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more individuals engaged in such activities; and

- (D) an understanding of disclosure controls and internal controls and procedures for financial reporting.

(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 Chief Executive Officer ("CEO") and the Chief Financial Officer ("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 auditors, the Chair 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) **Auditor Attendance** - The external auditor of the Corporation shall be requested to appear before the Audit Committee at all meetings where financial results are reviewed and at other times when deemed necessary 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.
- (xiii) **Voting** – Each resolution or decision shall be determined by a majority of the votes cast.
- (xiv) **Communication** – The Audit Committee shall provide a summary of all meetings to the Board together with the minutes, or an oral report if the minutes are not prepared.

(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 or 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,
 - (B) the disclosures required in the Corporation’s annual and interim management’s discussion and analysis regarding internal control over financial reporting and disclosure controls and procedures; and
 - (C) any annual and interim earnings releases and other press releases containing guidance or 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, information circulars, annual reports, annual information forms and management’s discussion and analysis;

(b) Internal Control

- (i) to require management to implement and maintain appropriate systems of internal control, including internal controls over financial reporting and for the prevention and detection of fraud and error;
- (ii) to review the systems of internal control and meet with the CEO and CFO to assess the adequacy and effectiveness of these systems and to obtain on a regular basis reasonable assurance that the Corporation is in control; and
- (iii) to receive reports from the CEO and CFO as to the existence of any significant deficiency or material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information and as to the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal control over financial reporting;

(c) Disclosure Controls and Procedures

- (i) to require management to implement and maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation, including controls and procedures designed to ensure the information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure;
- (ii) to review the disclosure controls and procedures with the CEO and CFO to assess the adequacy and effectiveness of these controls and procedures; and
- (iii) to receive reports from the Corporation's Disclosure Committee;

(d) External Audit

- (i) to recommend to the Board, for shareholder approval, the appointment of the external auditor for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation;
- (ii) to review, at least annually, the qualifications 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 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
 - (viii) 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.;
- (e) **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, including:
- (i) review of the Corporation's investment policy; and
 - (ii) review of the amount and terms of Corporate insurance policies to be obtained or maintained, except Directors & Officers ("D&O") insurance, with respect to risks inherent in its operations; and
- (f) **Compliance**
- (i) to review the Corporation's financial reporting procedures and policies to ensure compliance with all related legal and regulatory requirements and to investigate any non-adherence to those procedures and policies;
 - (ii) to review and understand the basis upon which the Corporation's CEO and CFO made their conclusions, included in the annual and interim management's discussion and analysis, regarding the Corporation's disclosure controls and procedures and internal controls over financial reporting, including any material weaknesses;
 - (iii) to receive a report from the Corporation's CEO and CFO and as to the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal control over financial reporting; and
 - (iv) 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.