

ZCL Composites Inc.

Interim Consolidated Financial Statements

For the three months ended March 31, 2008

(Unaudited)

ZCL Composites Inc.

Consolidated Balance Sheets

As at March 31, 2008 and December 31, 2007

(Unaudited)

| (in thousands of dollars) | March 31, 2008 \$ | December 31, 2007 \$ |
|--|-------------------------|----------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | 2,580 | 2,033 |
| Accounts receivable | 16,578 | 16,595 |
| Inventories <i>[notes 2 and 8]</i> | 19,972 | 16,218 |
| Income taxes recoverable | 1,707 | — |
| Prepaid expenses | 503 | 661 |
| Future tax assets | 364 | 416 |
| | 41,704 | 35,923 |
| Property, plant and equipment <i>[note 4]</i> | 21,715 | 20,749 |
| Deferred development costs | 758 | 819 |
| Intangible assets | 8,974 | 8,995 |
| Goodwill | 28,390 | 27,327 |
| Other assets | 555 | 555 |
| | 102,096 | 94,368 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Bank indebtedness | 4,115 | 150 |
| Accounts payable and accrued liabilities <i>[note 8]</i> | 12,492 | 10,886 |
| Accrued pension liability | 296 | 284 |
| Income taxes payable | 135 | 511 |
| Deferred revenue | 1,694 | 1,490 |
| Dividends payable <i>[note 5]</i> | 3,173 | — |
| Current portion of long term debt <i>[note 6]</i> | 1,960 | 1,960 |
| | 23,865 | 15,281 |
| Future tax liabilities | 4,686 | 4,623 |
| Long term debt <i>[note 6]</i> | 5,998 | 6,978 |
| | 34,549 | 26,882 |
| Commitments and contingencies | | |
| Shareholders' equity | | |
| Share capital | 62,190 | 62,190 |
| Contributed surplus | 470 | 449 |
| Accumulated other comprehensive loss | (6,869) | (8,729) |
| Retained earnings | 11,756 | 13,576 |
| | 67,547 | 67,486 |
| | 102,096 | 94,368 |

See accompanying notes

ZCL Composites Inc.

Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss)

For the three months ended March 31, 2008 and 2007

(Unaudited)

| | Common Shares | Share Capital \$ | Contributed Surplus \$ | Accumulated Other Comprehensive Income (Loss) \$ | Retained Earnings \$ | Total \$ | Comprehensive Income (Loss) \$ |
|--|-------------------|------------------------|------------------------------|--|----------------------------|---------------|--------------------------------------|
| <i>(in thousands of dollars, except number of Common Shares)</i> | | | | | | | |
| Balance, December 31, 2007 | 26,445,529 | 62,190 | 449 | (8,729) | 13,576 | 67,486 | (1,214) |
| Stock-based compensation <i>[note 7b]</i> | — | — | 21 | — | — | 21 | — |
| Translation of self-sustaining foreign operations | — | — | — | 1,860 | — | 1,860 | 1,860 |
| Dividends <i>[note 5]</i> | — | — | — | — | (3,173) | (3,173) | — |
| Net income | — | — | — | — | 1,353 | 1,353 | 1,353 |
| Balance, March 31, 2008 | 26,445,529 | 62,190 | 470 | (6,869) | 11,756 | 67,547 | 1,999 |
| Balance, December 31, 2006 | 21,681,445 | 23,135 | 452 | — | 8,661 | 32,248 | — |
| Common shares issued for cash <i>[note 1]</i> | 4,000,000 | 38,179 | — | — | — | 38,179 | — |
| Shares issued on exercise of options <i>[note 7a]</i> | 125,000 | 119 | — | — | — | 119 | — |
| Warrants exercised for cash <i>[note 7a]</i> | 192,500 | 183 | — | — | — | 183 | — |
| Stock-based compensation <i>[note 7b]</i> | — | — | 55 | — | — | 55 | — |
| Reclassification of fair value of stock options and warrants previously expensed | — | 84 | (84) | — | — | — | — |
| Translation of self-sustaining foreign operations | — | — | — | (577) | — | (577) | (577) |
| Dividends <i>[note 5]</i> | — | — | — | — | (2,600) | (2,600) | — |
| Net income | — | — | — | — | 77 | 77 | 77 |
| Balance, March 31, 2007 | 25,998,945 | 61,700 | 423 | (577) | 6,138 | 67,684 | (500) |

See accompanying notes

ZCL Composites Inc.

Consolidated Statements of Income

For the three months ended March 31

(Unaudited)

| | 2008 | 2007 |
|---|---------------|--------|
| (in thousands of dollars, except per share amounts) | \$ | \$ |
| Revenue | 23,797 | 14,945 |
| Manufacturing and selling costs <i>[notes 3, 7b and 7c]</i> | 19,238 | 12,560 |
| | 4,559 | 2,385 |
| General and administration <i>[notes 7b and 7c]</i> | 1,795 | 1,222 |
| Amortization <i>[note 4]</i> | 817 | 752 |
| Financing expense <i>[note 9]</i> | 133 | 345 |
| | 2,745 | 2,319 |
| Income before income taxes | 1,814 | 66 |
| Income tax expense (recovery) | | |
| Current | 500 | 91 |
| Future | (39) | (102) |
| | 461 | (11) |
| Net income | 1,353 | 77 |
| Earnings per share <i>[note 10]</i> | | |
| Basic | \$0.05 | \$0.00 |
| Diluted | \$0.05 | \$0.00 |

See accompanying notes

ZCL Composites Inc.
Consolidated Statements of Cash Flows
For the three months ended March 31
(Unaudited)

| (in thousands of dollars) | 2008 \$ | 2007 \$ |
|---|----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | 1,353 | 77 |
| Add items not affecting cash: | | |
| Amortization expense <i>[note 4]</i> | 817 | 752 |
| Future tax recovery | (39) | (102) |
| Stock-based compensation expense <i>[note 7b]</i> | 21 | 55 |
| | 2,152 | 782 |
| Changes in non-cash working capital: | | |
| Decrease (increase) in accounts receivable | 123 | (2,542) |
| Increase in inventories | (3,296) | (1,410) |
| Decrease (increase) in prepaid expenses | 218 | (105) |
| Increase in accounts payable and accrued liabilities | 1,371 | 105 |
| Increase in deferred revenue | 160 | 246 |
| Decrease in income taxes payable | (2,093) | (1,646) |
| Cash flows used in operating activities | (1,365) | (4,570) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issue of common shares | — | 37,696 |
| Net advances of bank indebtedness | 3,965 | 3,698 |
| Cash received on long term debt | — | 20,000 |
| Repayment of long term debt | (1,000) | (10,000) |
| Cash flows from financing activities | 2,965 | 51,394 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Business acquisition, including bank indebtedness assumed and repaid <i>[note 1]</i> | — | (52,648) |
| Purchase of property, plant and equipment | (1,128) | (663) |
| Other | — | (74) |
| Cash flows used in investing activities | (1,128) | (53,385) |
| Foreign exchange gain (loss) on cash held in foreign currency | 75 | (14) |
| Increase (decrease) in cash and cash equivalents | 547 | (6,575) |
| Cash and cash equivalents, beginning of the period | 2,033 | 7,802 |
| Cash and cash equivalents, end of the period | 2,580 | 1,227 |

See accompanying notes

ZCL Composites Inc.

Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2008

(Unaudited)

1. Financial Statement Presentation and Significant Accounting Policies

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a basis consistent with those used in the preparation of the most recent annual consolidated financial statements except as further explained below. These unaudited interim consolidated financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2007. In management's opinion, these interim consolidated financial statements include all adjustments necessary to present fairly such interim financial information.

The consolidated statements of income, shareholders' equity and comprehensive income (loss) and cash flows for interim periods are not necessarily indicative of results on an annual basis due to seasonal and short-term variations as well as the effects and timing of business acquisitions. Historically, the Company has been affected by seasonality and experiences its lowest levels of activity in the first and second quarters of the Company's fiscal year, corresponding to the seasonality of the installation of underground liquid storage systems in Canada and the northern U.S.

The Company's comparative financial results include the operations of Xerxes Corporation ("Xerxes") from the date of acquisition on February 22, 2007. The purchase price of \$46.3 million was funded from the net proceeds of a "bought deal" private placement and commercial debt financing. The acquisition of Xerxes substantially increased the Company's revenues and operations as Xerxes was a similar size to the Company.

a) Changes in Significant Accounting Policies

Effective January 1, 2008, the Company adopted the following new accounting standards:

Capital Disclosures

The Company adopted prospectively CICA Handbook Section 1535 "Capital Disclosures", which requires disclosure of qualitative and quantitative information that enables users to evaluate the Company's objectives, policies and process for managing capital. See note 13.

Financial Instruments – Disclosure and Presentation

The Company adopted prospectively without restatement, CICA Handbook Sections 3862 "Financial Instruments - Disclosure" and 3863 "Financial Instruments – Presentation", which requires additional disclosures to enable users to evaluate the significance of financial instruments to the Company's financial position and performance. Qualitative and quantitative disclosures are also provided to enable users to evaluate the nature and extent of risks arising from the Company's financial instruments. See note 12.

Inventories

The Company adopted retrospectively CICA Handbook Section 3031 "Inventories", which requires inventories to be measured at the lower of cost and net realizable value and provides guidance on the determination of cost, including the allocation of overheads and other costs to inventories. The adoption of this standard had no impact on the current or previous operating results of the Company.

Raw materials are valued at the lower of cost, determined on an average cost basis, and net realizable value. Work in progress and finished goods are valued at the lower of manufacturing cost and net realizable value on a specific item basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of

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completion and costs necessary to make the sale. Manufacturing costs include the costs of raw materials and consumables, direct labour costs, and applicable production overheads based on normal operating capacity. Prior to the adoption, raw materials were valued at the lower of average cost and replacement cost, which approximated net realizable value.

b) Recent Accounting Pronouncements

In February 2008, the CICA issued Section 3064 "Goodwill and Intangible Assets", replacing Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs", effective for interim and annual reporting periods beginning on or after October 1, 2008. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of adopting the standard.

In February 2008, Canada's Accounting Standards Board confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to start reporting under International Financial Reporting Standards ("IFRS"). The International Accounting Standards Board currently has projects underway that should result in new pronouncements and the Canadian convergence initiative is on-going as of the date of these statements. The Company is currently in the process of developing a conversion plan and assessing the impact of the ultimate adoption of IFRS.

2. Inventories

| As at (in thousands of dollars) | March 31, 2008 \$ | December 31, 2007 \$ |
|------------------------------------|-------------------------|----------------------------|
| Raw materials | 8,459 | 7,865 |
| Work in progress | 2,868 | 2,483 |
| Finished goods | 8,645 | 5,870 |
| | 19,972 | 16,218 |

As at March 31, 2008, inventories included finished goods and raw materials carried at net realizable value of \$250,000 and \$141,000 respectively (December 31, 2007: finished goods - \$3,000, raw materials - \$147,000). During the three months ended March 31, 2008, there was a net write down reversal of \$3,000.

3. Manufacturing and Selling Costs

| For the three months ended March 31 (in thousands of dollars) | 2008 \$ | 2007 \$ |
|--|------------|------------|
| Raw materials and consumables used | 8,293 | 4,358 |
| Labour costs | 7,197 | 4,991 |
| Other costs | 6,357 | 5,510 |
| Net change in inventories of finished goods and work in progress | (2,609) | (2,299) |
| | 19,238 | 12,560 |

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(Unaudited)

4. Amortization Expense

| For the three months ended March 31 (in thousands of dollars) | 2008 \$ | 2007 \$ |
|---|-------------------|-------------------|
| Property, plant and equipment | 384 | 310 |
| Deferred development costs | 61 | 64 |
| Intangible assets | 372 | 378 |
| | 817 | 752 |

Included in property, plant and equipment is capital work-in-process of \$759,000 (December 31, 2007 – \$990,000) that is not subject to amortization.

5. Dividends Payable

During the fiscal period ended March 31, 2008 dividends in the amount of \$3,173,000 were declared (\$0.12 per common share for all shareholders of record on April 3, 2008) to be paid April 17, 2008. In the fiscal period ended March 31, 2007, dividends in the amount of \$2,600,000 were declared (\$0.10 per common share for all shareholders of record on March 28, 2007) and were paid on April 4, 2007.

6. Long Term Debt

Subsequent to March 31, 2008, the Company amended its credit facility agreement extending the maturity date of the term loan from February 28, 2009 to May 2, 2010. No other terms and conditions of the credit facility agreement were amended.

7. Share Capital and Stock-Based Compensation

a) Share Options and Warrants

| For the three months ended March 31 | 2008 | | 2007 | |
|--|---------------------------|----------------------|---------------------------|----------------------|
| | Share options # | Warrants # | Share options # | Warrants # |
| Balance, beginning of the period | 254,068 | — | 498,002 | 482,750 |
| Issued | 1,600 | — | — | — |
| Exercised | — | — | (125,000) | (192,500) |
| Expired | — | — | — | — |
| Balance, end of the period | 255,668 | — | 373,002 | 290,250 |

The Company issued 1,600 options at an exercise price of \$7.67 to employees during the three month period ended March 31, 2008 (2007 – nil). There were no share options and warrants exercised during the same period. The share options and warrants exercised during the three month period ended March 31, 2007 had an exercise price of \$0.95 resulting in cash proceeds of \$118,750 in respect of the share options and \$182,875 in respect of the warrants.

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b) Stock-based Compensation

The Company uses the fair value method of accounting for all share options granted and warrants transferred to employees. During the three month period ended March 31, 2008, 1,600 options were granted with an exercise price at the market share price on the grant date (2007 – nil). Stock-based compensation expense of \$21,000 (2007 - \$55,000) was recorded in the first quarter in manufacturing and selling costs and general and administration expenses in the consolidated statements of income.

The following estimated fair values of stock options granted at market during the quarter were determined, at the date of the grant, using the Black-Scholes option pricing model with the following weighted-average assumptions:

| | |
|---|--------|
| Fair value | \$2.83 |
| Risk-free interest rate (%) | 3.88 |
| Expected hold period to exercise (years) | 4.0 |
| Volatility in the price of the Company's shares (%) | 50.0 |
| Dividend yield (%) | 1.0 |

c) Stock Appreciation Rights (SARs) and Restricted Share Units (RSUs)

| For the three months ended March 31 | 2008 | | 2007 | |
|-------------------------------------|-----------|-----------|-----------|-----------|
| | SARs # | RSUs # | SARs # | RSUs # |
| Balance, beginning of the period | 230,250 | 21,160 | — | — |
| Issued | 14,750 | 1,840 | — | — |
| Balance, end of the period | 245,000 | 23,000 | — | — |

The Company granted an additional 14,750 SARs (2007 – nil) with an exercise price of \$7.67, the market share price on the grant date and 1,840 RSUs (2007 – nil) to employees during the three months ended March 31, 2008.

Included in manufacturing and selling costs and general and administration expenses in the consolidated statements of income during the three months ended March 31, 2008 was a net recovery of \$3,900 (2007 – \$nil) relating to SARs and an expense of \$8,500 (2007 – \$nil) relating to RSUs.

8. Related Party Transactions

Certain manufacturing components purchased for \$24,500 (2007 - \$36,500), included in manufacturing and selling costs in the consolidated statements of income or inventories were provided by a corporation whose Chairman and CEO is an individual who became a director of the Company on May 15, 2007. The transactions were recorded at the exchange amount being normal commercial rates for the products. Accounts payable and accrued liabilities at March 31, 2008 included \$2,400 (December 31, 2007 - \$1,000) owing to the corporation. There are no ongoing contractual or other commitments resulting from these transactions.

A corporation controlled by a former director of the Company provided trucking services totalling \$39,000 during the three months ended March 31, 2007, included in manufacturing and selling costs in the consolidated statements of income. This director resigned from the Board effective September 18, 2007 and is no longer a related party. The transactions were recorded at the exchange amount being normal commercial rates for the services.

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(Unaudited)

9. Financing Expense (Income)

| For the three months ended March 31 (in thousands of dollars) | 2008 \$ | 2007 \$ |
|---|-------------------|-------------------|
| Short term interest, net of interest income | 75 | (64) |
| Interest, long term obligations | 147 | 96 |
| Foreign exchange (gains) losses | (89) | 313 |
| | 133 | 345 |

10. Earnings per Share

The following table sets forth the net income available to common shareholders and weighted-average number of common shares outstanding for the computation of basic and diluted earnings per share:

| For the three months ended March 31 | 2008 | 2007 |
|--|---------------|---------------|
| Numerator (in thousands of dollars) | | |
| Net income | 1,353 | 77 |
| Denominator (in thousands) | | |
| Weighted-average shares outstanding - basic | 26,445 | 23,380 |
| Effect of dilutive securities | | |
| Stock options | 151 | 364 |
| Warrants | — | 442 |
| Weighted-average shares outstanding - diluted | 26,596 | 24,186 |

11. Statement of Cash Flows

Supplementary disclosures required in respect of the Statement of Cash Flows are as follows:

| For the three months ended March 31 (in thousands of dollars) | 2008 \$ | 2007 \$ |
|---|-------------------|-------------------|
| Net interest paid | 229 | 32 |
| Income taxes paid | 2,458 | 1,313 |

12. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, other assets, bank indebtedness, accounts payable and accrued liabilities, and long term debt.

The Company has classified cash and cash equivalents and bank indebtedness as held for trading measured at fair value with any gains and losses identified during periodical evaluations recorded in net income. The carrying value of these financial assets approximates their fair value due to the relatively short period to maturity.

Accounts receivable and other assets are classified as loans and receivables and are measured at amortized cost using the effective interest rate method.

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(Unaudited)

Accounts payable and accrued liabilities and long term debt are classified as other financial liabilities and measured at amortized cost. The carrying value of accounts payable and accrued liabilities approximates fair value due to the relatively short period to maturity. The carrying value of the debt approximates its fair value as the interest rate on this debt is variable.

The Company has pledged as general collateral for advances under the operating credit facility and the term loan a general security agreement on present and future assets, guarantees from each present and future direct and indirect subsidiary of the Company supported by a first registered security over all present and future assets, and pledge of shares. The Company is not permitted to sell or re-pledge significant assets held under collateral without consent from the lenders.

a) Financial Risk Management

The Company's activities expose it to a variety of financial risks including market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management reviews these risks on an ongoing basis to ensure that the risks are appropriately managed. The Company may use foreign exchange forward contracts to manage exposure to fluctuations in foreign exchange from time to time. The Company does not have a practice of trading derivatives. The Company had no derivatives outstanding at March 31, 2008.

Interest Rate Risk

The Company's objective in managing interest rate risk is to monitor expected volatility in interest rates while also minimizing the Company's financing expense levels. Interest rate risk mainly arises from fluctuations of interest rates and the related impact on the return earned on cash and cash equivalents and other assets and the expense on floating rate debt. On an ongoing basis, management monitors changes in short term interest rates and considers long term forecasts to assess the potential cash flow impact to the Company. The Company does not currently hold any financial instruments to mitigate its interest rate risk. Cash and cash equivalents and other assets earn interest based on market interest rates. Bank indebtedness balances and long term debt bear interest at the bank prime rate, which is variable.

The effective interest rate on the bank indebtedness balance at March 31, 2008 was Canadian bank prime interest rate plus 25 basis points (5.50%). The term loan bears interest at bank prime plus 25 or 50 basis points, adjusted quarterly based on certain financial indicators of the Company. As at March 31, 2008, with other variables unchanged, an increase or decrease of 25 basis points in the prime interest rate would have impacted net income by approximately \$30,000. There would be no effect on other comprehensive income (loss).

Foreign Exchange Risk

The Company operates on an international basis and is subject to foreign exchange risk exposures arising from transactions denominated in a foreign currency. The Company's objective with respect to foreign exchange risk is to minimize the impact of the volatility related to financial assets and liabilities denominated in a foreign currency where possible through effective cash flow management. Foreign currency exchange risk is limited to the portion of the Company's business transactions denominated in currencies other than Canadian dollars. The Company's most significant foreign exchange risk arises primarily with respect to the U.S. dollar. The revenues and expenses of the Company's U.S. operations are denominated in U.S. dollars. Certain of the revenue and expenses of the Canadian operations are also denominated in U.S. dollars. The Company is also exposed to foreign exchange risk associated with the Euro due to its operations in The Netherlands, however these amounts are not significant to the Company's consolidated financial results. On an ongoing basis, management monitors changes in foreign currency exchange rates as well as considering long term forecasts to assess the potential cash flow impact to the Company. The Company has elected not to actively manage the foreign exchange exposures at this time.

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(Unaudited)

The tables that follow provide an indication of the Company's exposure to changes in the value of the U.S. dollar relative to the Canadian dollar as at and for the three months ended March 31, 2008. The analysis is based on financial and monetary assets and liabilities denominated in U.S. dollars at the end of the period ("Balance Sheet Exposure") separated by subsidiaries classified as self-sustaining and other operations, which include the Canadian operations and subsidiaries classified as integrated operations, and U.S. dollar denominated revenue and operating expenses during the period ("Operating Exposure").

| (in thousands of dollars) | Self-sustaining Operations \$ | Other Operations \$ | Total \$ |
|--|-------------------------------------|---------------------------|--------------|
| Balance Sheet Exposure as at March 31, 2008 | | | |
| Cash and cash equivalents | 1,176 | 1,173 | 2,349 |
| Accounts receivable | 6,504 | 905 | 7,409 |
| Bank indebtedness | — | (557) | (557) |
| Accounts payable and accrued liabilities | (5,403) | (1,268) | (6,671) |
| Accrued pension liability | (289) | — | (289) |
| Deferred revenue | (1,214) | — | (1,214) |
| Net Balance Sheet Exposure | 774 | 253 | 1,027 |

Operating Exposure for the three months ended March 31, 2008

| | | | |
|-------------------------------|--|--|----------------|
| Sales | | | (14,418) |
| Operating expenses | | | 13,284 |
| Net Operating Exposure | | | (1,134) |

The weighted average U.S. to Canadian dollar translation rate for the three months ended March 31, 2008 was 1.0049. The translation rate as at March 31, 2008 was 1.0232.

Based on the Company's foreign currency exposures noted above, with other variables unchanged, a 5 percent strengthening in the Canadian dollar would have impacted net income before income taxes as follows:

| (in thousands of dollars) | Self-sustaining Operations \$ | Other Operations \$ | Total \$ |
|--|-------------------------------------|---------------------------|-------------|
| Net Balance Sheet Exposure | 29 | 10 | 39 |
| Net Operating Exposure | — | 43 | 43 |
| Decrease in net income | — | 53 | 53 |
| Decrease in other comprehensive income | 29 | — | 29 |

A decrease or weakening of 5 percent in the Canadian dollar would have had an equal but opposite impact on net income before income taxes.

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Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk through its cash and equivalents, other assets, and accounts receivable. The Company manages the credit risk associated with its cash and cash equivalents by holding its funds with reputable financial institutions and investing only in highly rated securities that are traded on active markets and are capable of prompt liquidation. Credit risk for other assets and trade and other accounts receivables are managed through established credit monitoring activities. The Company also mitigates its credit risk on trade accounts receivable by obtaining a cash deposit from certain customers with no prior order history with the Company or where the Company perceives the customer has a higher level of risk.

The Company has a concentration of customers in the oil and gas sector. The concentration risk is mitigated by the number of customers and by a significant portion of the customers being large international organizations. In the three months ended March 31, 2008 and 2007 no single customer exceeded 10% of the consolidated trade accounts receivable balance. Losses under trade accounts receivable have not historically been significant. The credit worthiness of new customers is subject to review by management by considering such items as the type of customer, prior order history and the size of the order. Decisions to extend credit to new customers are approved by management and the credit worthiness of existing customers is monitored.

The Company reviews its trade receivable accounts regularly and amounts are written down to their expected realizable value when the account is determined not to be fully collectible. This generally occurs when the customer has indicated an inability to pay, the Company is unable to communicate with the customer over an extended period of time, and other methods to obtain payment have been considered and have not been successful. The bad debt expense is charged to net income in the period that the account is determined to be doubtful. Estimates for the allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each reporting date, taking into account the amounts which are past due and any available relevant information on the customers' liquidity and going concern status. After all efforts of collection have failed, the accounts receivable balance not collected is written off with an offset to the allowance for doubtful accounts, with no impact on net income.

The Company's maximum exposure to credit risk for trade accounts receivable is the carrying value of \$16,578,000 as at March 31, 2008 (December 31, 2007 - \$16,595,000). On a geographic basis as at March 31, 2008, approximately 58% (December 31, 2007 - 60%) of the balance of trade accounts receivable (before allowance for doubtful accounts) was due from Canadian and non-U.S. customers and 42% (December 31, 2007 - 40%) was due from U.S. customers.

Payment terms are generally net 30 days. As at March 31, 2008, the percentages of past due trade accounts receivable were as follows: 31% past due 1 to 30 days (December 31, 2007 - 25%), 6% past due 31 to 60 days (December 31, 2007 - 8%), 6% past due 61 to 90 days (December 31, 2007 - 1%) and 3% past due greater than 90 days (December 31, 2007 - 3%). Despite the established payment terms, customers in the oil and gas industry, who represent a significant portion of the customer base for the Company, typically pay amounts within 60 days of the invoice date. Accordingly, it is management's view that amounts outstanding from these customers up to 60 days from the invoice date have a low risk of not being collected.

As at March 31, 2008, the Company has recorded an allowance for doubtful accounts of \$96,000 (December 31, 2007 - \$69,000). The allowance is an estimate of the March 31, 2008 trade receivable balances that are considered uncollectible. Changes to the allowance during the three months ended March 31, 2008 and December 31, 2007 consisted of payments received on outstanding balances of \$25,000 (December 31, 2007 - \$86,000), write off of trade accounts receivable balances not collected of \$nil (December 31, 2007 - \$48,000), and bad debt expense of \$52,000 (December 31, 2007 - \$68,000).

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Liquidity Risk

The Company's objective related to liquidity risk is to effectively manage cash flows to minimize the exposure that the Company will not be able to meet its obligations associated with financial liabilities. On an ongoing basis, Management manages liquidity risk by maintaining adequate cash and cash equivalent balances and appropriately utilizing available lines of credit. Management believes that forecasted cash flows from operating activities, along with the available lines of credit, will provide sufficient cash requirements to cover the Company's forecasted normal operating and budgeted capital expenditures.

The following are the undiscounted contractual maturities of financial liabilities excluding future interest:

| (in thousands of dollars) | Carrying Amount \$ | Remainder of 2008 \$ | 2009 \$ | Thereafter |
|--|--------------------------|----------------------------|------------|------------|
| Bank indebtedness | 4,115 | 4,115 | — | — |
| Accounts payable and accrued liabilities | 12,492 | 12,492 | — | — |
| Long term debt | 7,958 | 1,460 | 6,498 | — |
| Total | 24,565 | 18,067 | 6,498 | — |

13. Capital Risk Management

Management's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to provide an adequate return to shareholders, to meet external capital requirements on the Company's debt and credit facilities and preserve financial flexibility in order to benefit from potential opportunities that may arise. The Company is required to maintain \$50 million of shareholders' equity to meet its external capital requirement. Management considers changes in economic conditions, risks that impact the consolidated operations and future significant capital investment opportunities in managing its capital and considers adjustments to its ratio of long term debt to adjusted capital employed when significant changes in these factors are expected. Management considers the ratio of long term debt to adjusted capital employed of 10% as at March 31, 2008 to be low. Adjusted capital employed is defined by the Company as long term debt plus total shareholders' equity plus accumulated other comprehensive loss.

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For the three months ended March 31, 2008
(Unaudited)

14. Segmented Information

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, which include the manufacture and distribution of liquid storage systems including fibreglass underground and aboveground storage tanks and related products and accessories.

Information about geographic areas

| | Revenue | |
|--|---------|--------|
| For the three months ended March 31 (in thousands of dollars) | 2008 | 2007 |
| | \$ | \$ |
| Canada and Foreign | 10,336 | 9,046 |
| United States | 13,461 | 5,899 |
| | 23,797 | 14,945 |

| | Total assets | | Property, plant and equipment and goodwill | |
|------------------------------------|-------------------|----------------------|--|----------------------|
| As at (in thousands of dollars) | March 31, 2008 | December 31, 2007 | March 31, 2008 | December 31, 2007 |
| | \$ | \$ | \$ | \$ |
| Canada and Foreign | 41,701 | 38,908 | 18,143 | 17,408 |
| United States | 60,395 | 55,460 | 31,962 | 30,668 |
| | 102,096 | 94,368 | 50,105 | 48,076 |

Information on geographic location was allocated based on the primary location of the Company's customers. Revenue, total assets, property, plant and equipment, and goodwill related to foreign operations were not significant and therefore have been included in the Canadian and Foreign results.

Information about major customers

The Company has long-term contracts and alliance arrangements with many of the major oil and gas companies in Canada and provides products for distributors and retail oil and gas companies in the U.S. In the three months ended March 31, 2008 and 2007 no single customer exceeded 10% of total revenue.

Information about products

Providing information relating to revenue from external customers for each product, or group of similar products, is impractical and accordingly, only total revenue has been presented in the consolidated statements of income.

15. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation of the current period's consolidated financial statements.