

Message to Shareholders
For the second quarter ended June 30, 2007



We are pleased to present our financial results for the second quarter and first half ended June 30, 2007. We enjoyed another record quarter in terms of revenue largely due to our acquisition of Xerxes Corporation on February 22, 2007. The U.S. revenue provided by the Xerxes acquisition more than offset a decline in activity among ZCL's Canadian petroleum industry customers.

With an increasing level of orders received early in the third quarter, coupled with the traditional improved strength of the last half of the fiscal year both in Canada and in the U.S., we expect improved performance in all facets of our business for the balance of 2007.

ZCL currently anticipates revenue for the full year 2007 in the range of \$105 million to \$115 million, compared with \$55.1 million a year earlier, with the increase being primarily attributable to the Xerxes acquisition. ZCL expects EBITDA in the range of \$16 million to \$18 million compared with \$9.6 million in 2006. The 2007 outlook is based on a number of assumptions, including the expectation that second half 2007 performance will be stronger than first half 2007 performance.

During the second quarter of 2007 our competitors in the steel tank industry reached a warranty decision that is potentially favourable for ZCL's fibreglass tank products. The Steel Tank Institute, a trade group representing the majority of North America's steel tank manufacturers, announced that warranties for steel tanks for underground petroleum storage will be reduced to ten years from 30 years effective January 1, 2008. This compares with a 30-year warranty for ZCL's products. As the leading manufacturer for fibreglass tanks for underground petroleum storage, this gives us a significant advantage in the market place.

Also during the second quarter, Chevron Hong Kong Limited (Caltex) expanded by two additional sites the previously disclosed contract to install our LIFELINER *System*TM at Chevron locations in Hong Kong. This brings the total number of sites under contract to eight. Work on all eight sites is scheduled for completion by the end of 2007. The opportunity still exists for multiple locations within South China and Thailand where Chevron (Caltex) has similar operations.

We have entered into negotiations with a number of customers in North America for the installation of LIFELINER *System*TM. Subsequent to the end of the second quarter of 2007 we announced a seven-year supply agreement under which the tank service company, Tank Tech Inc. ("Tank Tech") of Blodgett, Missouri, will sell and install ZCL's PHOENIX SYSTEM[®] tank liner product across the U.S. The new agreement replaces a Florida-only, five year agreement between ZCL and Tank Tech announced in 2006. Under the new agreement ZCL and its affiliates retain the right to market and sell the PHOENIX SYSTEM[®] directly to U.S. customers. Tank Tech has non-exclusive marketing rights and has exclusive installation rights for the PHOENIX SYSTEM[®] in the U.S. We believe there is a large, long-term global market for an alternative to tank replacement when upgrading existing single wall tanks to secondary containment standards. This alternative to tank replacement can minimize both site disturbance and lost revenue at service stations. With the PHOENIX SYSTEM[®] technology and this new agreement with Tank Tech in place, we are in a unique position to offer our customers the option of the finest in new fibreglass tank products, as well as a proven lining system for their upgrading needs.

Revenue for the second quarter of 2007 was \$28.5 million up 127.3% from \$12.6 million in the corresponding quarter of 2006. In the first half of 2007, revenue was \$43.5 million, up 65.9% from \$26.2 million in the first half of 2006. The increase is largely attributable to our new U.S. operations.

Net income for the second quarter of 2007 was \$2.1 million, up 122.2% from \$1.0 million for the corresponding quarter of 2006, primarily due to the Xerxes acquisition. Net income per share (basic) was \$0.08 for the second quarter of 2007, up 60% from \$0.05 in the corresponding quarter of 2006. Net income per share (diluted) was \$0.08 for the second quarter of 2006, up 100% from \$0.04 in the corresponding quarter of 2006.

For the first half of 2007, net income from continuing operations was \$2.2 million, down 2.2% from \$2.3 million in the first half of 2006, primarily due to the Xerxes acquisition largely offsetting weaker Canadian results experienced in the first half of 2007. After including net income from discontinued operations net income in the first half of 2006 totalled \$2.6 million. There was no income from discontinued operations in the first half of 2007.

Net income per share (basic) from continuing operations was \$0.09 for the first half of 2007, down 18.2% from \$0.11 for the first half of 2006. After including discontinued operations, net income per share (basic) in the first half of 2006 was \$0.12.

Net income per share (diluted) from continuing operations was \$0.09 for the first half of 2007, down 18.2% from \$0.11 in the first half of 2006. After including discontinued operations, net income per share (diluted) in the first half of 2006 was \$0.12.

As I mentioned in the first quarter message to shareholders, we are focused on capitalizing on best practices and on cost reduction in all areas as we combine our Canadian operations and our new U.S. operations. We have identified potential for synergies in material costs, freight, and insurance and in certain manufacturing processes. We expect to realize savings from many of these synergies in 2007.

As we enter our third quarter, we see significant growth ahead and look forward to the challenges and opportunities within the North American marketplace.

Respectfully yours,

“Venence G. Côté”

Venence Côté
President and Chief Executive Officer

August 2, 2007.