Management's Discussion and Analysis

May 9, 2007

The following discussion and analysis of the results of operations and cash flows for the period ended March 31, 2007, and of the financial position as at March 31, 2007, should be read in conjunction with the Company's unaudited consolidated financial statements and related notes for the period ended March 31, 2007, the Management's Discussion and Analysis and audited consolidated financial statements and related notes for the nine month fiscal period ended December 31, 2006, as well as the Message to Shareholders included in this First Quarter Report. Financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and all amounts are in Canadian dollars unless otherwise indicated.

This discussion includes forward-looking statements that are based on current expectations and are subject to risks and uncertainties. Many internal and external factors may cause actual results to differ materially, including, but not limited to, those outlined in Risks and Uncertainties in the Management's Discussion and Analysis for the nine month fiscal period ended December 31, 2006. The Company disclaims any intention or obligation to update or revise any such forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required by applicable securities laws. Such forward-looking statements are expressly qualified by this paragraph.

The Company adopted certain new accounting policies for the period ended March 31, 2007 as required by generally accepted accounting principles. Furthermore, with a significant business acquisition completed during the quarter, certain existing accounting policies were updated to address circumstances resulting from or created by the acquisition. A summary of the newly adopted accounting policies in the quarter is included herein.

The consolidated statements of income, shareholders' equity and comprehensive income 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 half of the calendar year, corresponding to the seasonality of the delivery of product to the upstream market and installation of product in the downstream market. Newly acquired operations in the United States are similarly impacted by the seasonality of installations in the northern United States. The Company's expanding product lines in markets that have different seasonality, or are less influenced by the effect of weather on the timing of installation, is having some effect of diminishing the impact that seasonality is having on the Company.

OVERVIEW

For the purposes of this Management Discussion and Analysis, references to "ZCL" shall mean all of ZCL's operations and subsidiaries without giving effect to the Xerxes acquisition referred to below; references to "Xerxes" shall mean operations acquired pursuant to the Xerxes acquisition; and, references to the "Company" shall mean the consolidated operations of ZCL and Xerxes.

Effective February 22, 2007, the Company purchased 100% of the shares of XAHC, Inc. ("XAHC"), the sole shareholder of Xerxes Corporation ("Xerxes"). Prior to the acquisition, XAHC was a privately held company based in the United States. Xerxes is involved in the design, manufacture and marketing of fibreglass reinforced plastic ("FRP") structural products for the petroleum, chemical, water and wastewater industries with over 270 employees operating from five principal locations in Minnesota, California, Texas, Maryland and Iowa.

The final purchase price for XAHC was $46.3 million, including fees for professional services employed to assist with and complete the acquisition, subject to certain post-closing adjustments. The acquisition was funded from the net proceeds received from the Company's recent "bought deal" private placement offering with the balance funded with commercial debt financing.

Prior to the closing of the acquisition, the Company had closed a "bought deal" private placement offering of subscription receipts with a syndicate of underwriters whereby the underwriters purchased as principals 4,000,000 subscription receipts at a price of $10.00 per subscription receipt for total gross proceeds of $40.0 million ($37.4 million in net cash proceeds after deducting expenses of the offering of $2.6 million). Each holder of subscription receipts automatically acquired one common share of the Company in exchange for every one subscription receipt held, without the payment of any additional consideration, upon closing of the acquisition on February 22, 2007.

The balance of the purchase consideration plus additional closing costs was funded from a two year term loan from a commercial bank which provided financing of $20 million with a minimum repayment requirement of $2.0 million per year.

On March 9, 2007, the Company declared its fourth consecutive annual dividend in the amount of $0.10 per common share for shareholders of record on March 28, 2007, for payment distribution on April 4, 2007.

On March 12, 2007, the Company was awarded a second contract by Chevron Hong Kong Limited ("Caltex") to install the LIFELINER *System*™ for a number of single wall tanks at six locations for a total value of $US 1.6 million. This contract was awarded to the Company as a result of the successful completion in early 2007 of a first contract for test sites in Hong Kong. Caltex tested, inspected and accepted the conversion of the existing tanks and confirmed the possibility of additional LIFELINER *System*™ installations with the award of the second contract. The LIFELINER *System*™ is a unique UL (Underwriter's Laboratories) / ULC (Underwriter's Laboratories of Canada) listed internal fibreglass system that allows "in-situ" upgrades of a single wall tank to a secondary containment lining system using Parabeam®, a patented three dimensional glass fabric combined with a proprietary state-of-the-art curing system. There is also a very large and growing need for upgrading both underground and aboveground liquid storage facilities, driven by environmental legislation and industry standards requiring secondary containment for the storage of hazardous liquids, including opportunities in North America and Southeast Asia for the corrosion free storage of new fuels, such as ethanol and other blended fuels now being legislated in certain parts of Canada and the USA.

SEGMENTED OPERATIONS

Operating segments are defined as components of the Company for which separate financial information is available and 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.

If an operating segment represents more than 10% of the overall sales, assets or income before administrative costs, amortization, financing charges and income taxes, it must be shown as a separate segment. In prior disclosures, the Home Heating Oil Tank segment incurred losses that exceeded 10% of the overall income of the Company; therefore, this segment was a reportable segment and was disclosed separately. This segment no longer exceeds 10% of sales, assets or net income before administrative costs, amortization, financing charges and income taxes. The Company does not expect this segment to exceed any of these thresholds in the future. Therefore, this operating segment is no longer disclosed separately. Since substantially all of the Company's operations (including Xerxes) are represented by the one reportable operating segment, i.e. the Liquid Containment Storage Systems segment, separate segmented information for the Liquid Containment Storage Systems segment and all other non-reportable operating segments has not been provided.

OVERALL PERFORMANCE

Revenue for the Company for the first quarter increased by 9.4% to $14.9 million from $13.7 million for the same quarter last year. Net income from continuing operations for the quarter was $77,000 compared to $1.3 million for the same quarter last year. Basic and diluted earnings per share from continuing operations were $0.00, as compared to $0.07 and $0.06 for basic and fully diluted earnings per share respectively for the same quarter last year. Basic and diluted earnings per share from discontinued operations were $0.00 compared to $0.01 for the same quarter last year.

The addition of Xerxes' financial results for the period February 22, 2007 to March 31, 2007 added $5.9 million to revenue for the quarter. Revenue from ZCL's operations was $9.0 million which was $4.7 million lower than the same quarter last year. In the first quarter of this year, many of ZCL's customers delayed making purchases in the upstream and downstream markets for a variety of reasons. The decrease in natural gas prices, the scarcity of human resources throughout the industry and the escalating costs in the oilfield services industry resulted in a number of significant customers in both of these markets postponing their purchases in the first quarter of this year, whereas some of these same customers had made significant purchases in the same quarter last year.

Revenue less manufacturing and selling costs for the Company was $0.6 million lower this quarter compared to the same quarter last year. This decline is a result of the net effect of the addition of Xerxes' operations and a decrease in ZCL's operations. Xerxes' operations contributed $1.3 million for the five week period February 22, 2007 to March 31, 2007, whereas ZCL experienced a decrease of $1.9 million as a result of its decreased revenues.

Income before income taxes for this quarter of $0.1 million was $1.8 million lower than the $1.9 million for the same quarter last year. The $0.1 million earned this year is a net result of the Xerxes contribution to net income before income tax of $0.6 million (which is net of $0.3 million of additional amortization of the fair market value of capital assets, intangible assets and inventory) and ZCL's net loss before income taxes of $0.5 million. ZCL's loss before income taxes included professional fees and foreign exchange losses of $0.5 million related to the acquisition of Xerxes.

Cash generated by operations before changes in working capital during the first quarter this year was $0.8 million, compared to $2.1 million last year. This decrease was largely due to the lower net income quarter over quarter. Cash generated by financing activities of $51.4 million was primarily a result of raising $51.1 million of equity and debt financing to fund the acquisition of Xerxes and $0.3 million from the exercise of options and warrants. Cash used in investing activities was primarily attributable to the cash used to acquire Xerxes of $52.6 million. Property, plant and equipment additions were $0.7 million during the first quarter this year as compared to $0.1 million for the same quarter last year.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2007 Compared to the Three Months Ended March 31, 2006

Revenue

Revenue for the Company for the first quarter increased by 9.4% to $14.9 million from $13.7 million for the same quarter last year. The addition of Xerxes' financial results for the period February 22, 2007 to March 31, 2007 added $5.9 million to revenue for the quarter. Revenue from ZCL's operations was $9.0 million which was $4.7 million lower than the same quarter last year. In the first quarter of this year, many of ZCL's customers delayed making purchases in the upstream and downstream markets for a variety of reasons. The decrease in natural gas prices, the scarcity of human resources throughout the industry and the escalating costs in the oilfield services industry resulted in a number of significant customers in both of these markets postponing their purchases in the first quarter of this year, whereas some of these same customers had made significant purchases in the same quarter last year. As previously disclosed, a license with a US manufacturer expired in October 2006, thereby allowing them to enter the Canadian market. To date, there has not been a material affect of our market share, but may have been a contributing factor to the deferral of certain customer purchases.

Revenue less manufacturing and selling costs

Revenue less manufacturing and selling costs of $2.4 million (16.0% of revenue) compares to $3.0 million (22.1% of revenue) for the same quarter last year. Manufacturing and selling costs include direct materials and labour, variable and fixed manufacturing overhead, and marketing and selling expenses, and exclude amortization, general and administration, and financing charges.

For ZCL's operations, the $4.7 million reduction in revenue resulted in a corresponding decrease of $1.9 million in revenue less manufacturing and selling costs. Revenue less manufacturing and selling costs as a percentage of revenue decreased to 14% from 22% for the same quarter last year reflecting the impact that fixed manufacturing costs have in a period of lower sales activity.

Xerxes' revenue of $5.9 million resulted in a corresponding $1.3 million of revenue less manufacturing and selling costs. Xerxes' revenue less manufacturing and selling costs as a percentage of its revenue of 22% is comparable to the 22% achieved by ZCL in the same quarter last year.

Amortization

Amortization increased from $0.4 million in the same quarter of last year to $0.8 million for the first quarter of this year. The overall level of amortization has increased as a result of the acquisition of Xerxes.

General and administration

General and administration expenses were $1.2 million for the first quarter as compared to $0.6 million for the same quarter last year. These costs have increased $0.6 million from last year as a result of including Xerxes' ($0.3 million), the associated period costs relating to the acquisition itself ($0.2 million) and professional fees incurred for governance compliance and income tax matters ($0.1 million).

Financing charges

Financing charges for the first quarter of $345,000 compared to $47,000 for the same quarter last year. The most significant component of financing charges was a foreign exchange loss of $302,000 on US forward contracts closed during the quarter. These contracts were purchased to mitigate the currency risk associated with the Xerxes acquisition. During this quarter all forward contracts were closed out and there were no forward contracts outstanding as at March 31, 2007.

Income taxes

The Company's effective tax rate for the quarter ended March 31, 2007 was a recovery of 16.6% as compared to a provision of 33.1% for the quarter ended March 31, 2006. The tax recovery for the current quarter resulted from losses incurred by ZCL, tax-effected at the Canadian statutory rate of approximately 32%, reduced by the income earned by Xerxes, tax-effected at applicable US tax rates. The statutory US tax rate of approximately 40% was reduced on a portion of Xerxes' income as a result of a tax planning structure implemented in conjunction with the acquisition of Xerxes.

Net income and earnings per share

Net income from continuing operations for the quarter was $77,000 compared to $1.3 million for the same quarter last year. Basic and diluted earnings per share from continuing operation were $0.00, as compared to $0.07 and $0.06 for basic and fully diluted earnings per share respectively for the same quarter last year. Basic and diluted earnings per share from discontinued operations were $0.00 compared to $0.01 for the same quarter last year.

SUMMARY OF QUARTERLY RESULTS

The following selected information for the eight most recent quarters should be read in conjunction with the applicable interim unaudited and annual audited consolidated financial statements and accompanying notes.

Quarterly Unaudited Results
(in thousands of dollars, except per share amounts)

	Mar 31/07	Dec 31/06	Sep 30/06	Jun 30/06
Revenue	**14,945**	14,873	13,974	12,552
Net income	**77**	1,488	1,611	957
Basic earnings per share	**$0.00**	$0.07	$0.08	$0.05
Diluted earnings per share	**$0.00**	$0.07	$0.07	$0.04
Net income from discontinued operations	–	–	–	–

	Mar 31/06	Dec 31/05	Sep 30/05	Jun 30/05
Revenue	13,661	13,044	11,173	8,287
Net income	1,295	1,065	820	244
Basic earnings per share	$0.07	$0.06	$0.05	$0.01
Diluted earnings per share	$0.06	$0.05	$0.04	$0.01
Net income from discontinued operations	319	–	–	–

LIQUIDITY AND CAPITAL RESOURCES

Working capital (current assets less current liabilities) at both March 31, 2007 and December 31, 2006 was $18.4 million. Both current assets and current liabilities increased by $14.5 million during the quarter. These changes largely reflect the additional assets and liabilities from the Xerxes acquisition, the $2.6 million dividend declared March 9, 2007 and $2.0 million representing the current portion of long term debt.

Future financing requirements for Xerxes will be funded through the consolidated financing arrangements of the Company. The Company does not expect Xerxes' future working capital needs to require any increase in the Company's consolidated financing arrangements.

Cash Flows

Summary of Cash Flows **Three months ended March 31** (thousands of dollars)	**2007** **$**	2006 $
Operating activities	**(4,570)**	824
Financing activities	**51,394**	(689)
Investing activities	**(53,385)**	(135)
Increase (decrease) in cash	**(6,575)**	–
Cash, beginning of the period	**7,802**	–
Cash, end of the period	**1,227**	–

Cash generated from operating activities before changes in working capital for the quarter ended March 31, 2007 was $0.8 million compared to $2.1 million for the quarter ended March 31, 2006. The decrease of $1.3 million was primarily due to the lower net income earned during this quarter.

Cash generated from financing activities was $51.4 million as a result of the equity financing of $37.4 million, $0.3 million raised on the exercise of options and warrants and $13.7 million of net debt financing raised to fund the acquisition of Xerxes. The Company has total operating lines of credit of up to $15.25 million, provided by a chartered bank, available to it subject to meeting contractually prescribed margin requirements. As at March 31, 2007, the Company had $8.5 million available on the operating lines of credit.

The acquisition of Xerxes and the related costs associated with the purchase amounted to $46.3 million. Including the Xerxes bank indebtedness repaid on the date of acquisition, the total cash used for the acquisition amounted to $52.6 million. Property, plant and equipment additions in the first quarter were $0.7 million (2006 – $0.1 million); these additions related largely to the purchase of equipment to increase production capacity and efficiency.

Contractual Obligations

The Company's contractual obligations remain as described in Note 8 to the audited December 31, 2006 consolidated financial statements, except as noted below. To establish the captive insurance company, Radigan Insurance Company, the Company has supplied a $US 500,000 Letter of Credit in favor of the Commissioner of Insurance for the State of Montana. As at March 31, 2007, Xerxes' minimum lease commitments under all non-cancelable operating leases for production facilities, office space and equipment were US $7,826,000.

TRANSACTIONS WITH RELATED PARTIES

The related party transactions are described in note 9 to the unaudited consolidated financial statements for the period ended March 31, 2007. There are no ongoing contractual or other commitments resulting from these transactions.

CRITICAL ACCOUNTING ESTIMATES

With the acquisition of Xerxes, certain estimates were required in determining the fair values of the acquired assets and liabilities and the remaining useful lives of definite life intangible assets. Management used an external valuator to assist in developing the key assumptions and resulting fair value estimates. These amounts are yet to be finalized and may result in changes in future periods and such changes and estimates could be material.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Financial instruments, equity and comprehensive income

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; Section 3865, Hedges; Section 1530, Comprehensive Income; and Section 3251, Equity, prospectively without restatement of prior periods.

Section 1530 provides guidance on the reporting and presentation of comprehensive income. Comprehensive income is the change in equity of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Other comprehensive income comprises revenues, expenses, gains and losses that are recognized in comprehensive income, but are excluded from net income calculated in accordance with GAAP. Subsequent to the adoption of this new standard, the Company recorded unrealized gains and losses on the translation of self-sustaining foreign operations acquired during the quarter in other comprehensive income.

Under Section 3855, financial assets and liabilities are classified as either held for trading, available-for-sale, loans and receivables, investments held to maturity, and other financial liabilities. Financial assets classified as held for trading and available-for-sale are measured on the balance sheet at fair value. Subsequent change in the fair value of held for trading financial assets is recognized into net income immediately. Changes in the fair value of financial assets available-for-sale are recorded in comprehensive income until the investment is derecognized or impaired at which time amounts would be recorded to net income. Loans and receivables, investments held to maturity and other financial liabilities are measured on the balance sheet at amortized cost. All derivative instruments of the Company, including those embedded in other financial instruments, are recorded at fair value and classified as held for trading.

On adopting Section 3855 and 3861, the Company classified its financial assets and liabilities of cash, accounts receivable, other assets, and accounts payable and accrued liabilities as held for trading financial instruments. During the quarter, the Company also designated bank indebtedness as financial liabilities held for trading and long term debt as other financial liabilities. The Company has not recorded any financial instruments as available-for-sale, loans or receivables, or held to maturity investments during the quarter.

Prior to the adoption of the new standards, derivatives embedded in other financial instruments were not accounted for separately from the host instrument. On adopting the new standards, the Company performed a review of all of its contracts to identify any embedded derivatives. Embedded derivatives were identified in certain of the Company's insurance contracts which are recorded in other assets and categorized as held for trading.

Section 3865 replaces and expands prior guidance on hedging relationships by prescribing when and how hedge accounting may be applied. Application of hedge accounting is optional. The Company has not entered into any hedge arrangements during the quarter. During the quarter, the Company entered into foreign currency forward contracts, the price of which was denominated in US dollars. These derivative contracts, not accounted for as hedges, are marked to market, and any changes in the market value are recorded in income or expense when the changes occur. As of March 31, 2007, there were no outstanding contracts as they were all closed out within the quarter.

Section 3251 requires separate presentation of changes in equity for the period from net income, other comprehensive income, retained earnings, contributed surplus, share capital and reserves and separate presentation of the components of equity, including retained earnings, accumulated other comprehensive income, contributed surplus, share capital and reserves. The adoption of the new standard did not have a material impact on the presentation of equity of the Company.

Accounting changes

Effective January 1, 2007, the Company adopted CICA Section 1506, Accounting Changes. The new standard allows for voluntary changes in an accounting policy only when the changes result in the financial statements providing reliable and more relevant information, requires a change in accounting policy to be applied retroactively unless impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. It includes the disclosure, on an interim and annual basis, of a description and the impact on the Company's financial results of any new primary source of GAAP that has been issued but is not yet effective. The adoption of the new standard did not have an impact on the Company's financial position or on the results of its operations.

Recent Accounting Pronouncements

In October 2006, the CICA issued Section 1535, Capital Disclosures. The new standard requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing capital. These recommendations are effective for the Company's interim and annual reporting periods beginning January 1, 2008. This new standard is not expected to have a material effect on the Company's consolidated financial position or on its results of operations.

The CICA also issued Section 3862, Financial Instruments – Disclosure and 3863, Financial Instruments – Presentation in October 2006. These Sections will effectively replace existing Section 3861, Financial Instruments – Disclosure and Presentation effective for the Company's interim and annual reporting periods beginning January 1, 2008. Section 3862 requires disclosures by class of financial instruments that enable users to evaluate the significance of financial instruments for the Company's financing position and performance. Disclosures are also required of qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of the Company's exposure to the risks arising from financial instruments, specifically credit risks, liquidity risks and market risks. Quantitative disclosures must also include a sensitivity analysis for each type of market risk the Company is exposed to and how net income and other comprehensive income would be affected. The Company does not expect the new standard will have a material impact on its consolidated financial position or on its results of operations. Section 3863 carries forward the presentation requirements of 3861 already adopted by the Company. As a result, the Company does not expect the new standard will have a material impact on its consolidated financial position or on its results of operations.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company have designed the Company's disclosure controls and procedures ("DCP") or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within the Company.

Internal Controls over Financial Reporting

The CEO and the CFO have designed the Company's internal control over financial reporting ("ICFR") or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Acquisition of Xerxes

In respect of the acquired Xerxes operations, the Company's evaluation of the design of its DCP and ICFR included a review of Xerxes' records and accounts as at the date of acquisition by an outside firm of chartered accountants, discussion of Xerxes' results with senior management of Xerxes and obtaining letters of representation from key Xerxes personnel attesting that all material information relating to Xerxes was made known to the Company.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's ICFR within the first quarter of 2007 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

OTHER

Outstanding Share Data

As at May 7, 2007, there were 25,998,945 common shares, 373,002 share options ("Options") and 290,250 warrants ("Warrants") outstanding. All of the Warrants and all but 143,335 of the Options are presently exercisable into common shares.