

## Message To Shareholders

We are pleased to present our financial results for the first quarter of our 2007 fiscal year. Another record quarter in terms of revenues due to our latest acquisition of Xerxes Corporation which closed on February 22, 2007. Although we have seen a softening in demand for our products in the Canadian upstream and downstream markets, which was not an unexpected event, we are pleased with the overall results for this quarter considering that we have only benefited from one month of Xerxes' results for the first quarter which have been stronger than usual for this period. As expected, our financial performance for this quarter was not as strong as last year partly due to a decline in the upstream and downstream markets and to the one time costs associated with the acquisition of Xerxes. With increasing level of orders received early in the second quarter, we expect improved performance in all facets of our business going forward.

Xerxes Corporation ("Xerxes") was a privately held company based in the United States 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 5 principal locations in Minnesota, California, Texas, Maryland and Iowa.

Xerxes' addition to the ZCL group means that we are entering the US market two years ahead of schedule with the acquisition of a formidable competitor. Xerxes is the market leader and has new products that will benefit ZCL on both sides of the border. Xerxes is a well managed company and together we are poised to grow revenues and earnings, a priority for existing and new shareholders alike. Not only are we entering the largest market in North America, we are now poised to expand our international presence and to make our vision a reality.

The acquisition is consistent with ZCL's focus on acquiring complementary or competitive businesses with attractive margins and strong growth prospects that will increase its ability to deliver its full spectrum of products to customers in the United States and Canada. The acquisition is both synergistic operationally to ZCL and accretive to the overall operations. We are excited about the opportunity to join forces with a well managed industry leader to provide a broader range of products to our Canadian customer base and to increase our market presence in the United States.

With the acquisition of Xerxes, we will now focus our energies on capitalising on best practices and on cost reduction in all areas. While 2007 is a transition year and year of integration, we are excited at the prospects of the many synergies identified this early in the process before considering the many international opportunities coming our way on a regular basis. In addition to investigating ways of optimizing our infrastructures and services, we are specifically examining improvements to manufacturing processes and raw material source and usage.

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 involving multiple tanks for a total value approaching two million dollars. The opportunity now exists for multiple locations within South China and Thailand where Chevron (Caltex) has similar operations.

This contract was awarded to the Company as a result of the successful conversion of the test sites completed in Hong Kong in January. Caltex was pleased with the installation of the existing tanks and confirmed the future possibility of additional sites. Further opportunities exist in North America and Southeast Asia for the corrosion free storage of new fuels including the new ethanol blended fuels and other blends now being legislated in certain parts of Canada and the USA.

This unique UL / ULC listed internal fibreglass system 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 a very large and growing need for upgrading both underground and aboveground liquid storage, driven by environmental legislation and industry standards requiring secondary containment for storage of hazardous liquids.

Revenue in the first quarter increased by 9.4% to \$14.9 million from \$13.7 million last year. The increase in revenue was due to the acquisition of Xerxes this quarter. Financial performance from Xerxes is included from February 22, 2007, the date of the acquisition to March 31, 2007. Xerxes revenue of \$5.9 million was particularly strong due to an early start of activities on the United States west coast as compared to last year. On the Canadian side, revenue was \$4.6 million lower than the same quarter last year. The prior year quarter was very strong in both the downstream and upstream markets. For the quarter ended March 31, 2007, with lower natural gas prices, a scarcity of human resources in the industry and the escalating costs in the oilfield services industry, the oil and gas marketplace has slowed in its activity. This market uncertainty slowed projects for some of our customers.

Net income for the quarter was \$77,000 compared to \$1.3 million from continuing operations last year. We incurred higher overall fixed costs as a result of the acquisition and other one time costs resulting in net earnings that were lower than last year but not unexpected. Basic and diluted earnings per share were \$0.00, as compared to \$0.07 and \$0.06 for basic and fully diluted earnings per share from continuing operations respectively for the same quarter last year. On discontinued operations the basic and diluted earnings per share this quarter were \$0.00 and \$0.01 for the same quarter last year.

As we continue into this new fiscal period, we are excited about our expanded vision to be the leading global provider of environmentally friendly liquid storage solutions, while providing superior returns to our shareholders. We will do so by maintaining our position in our traditional markets within the Canadian marketplace, and by pursuing growth opportunities in related products and markets. Our organization is well positioned to take advantage of our strengthened core business, and the numerous opportunities with the acquisition of Xerxes. We are looking to the future with confidence and by remaining focused we will meet our commitments and continue to create value for our shareholders.



Respectfully yours,  
Venence Côté  
President and Chief Executive Officer

May 7, 2007