

Management's Discussion and Analysis

INTRODUCTION

ZCL Composites Inc.'s ("ZCL" or the "Company") Management's Discussion and Analysis ("MD&A") of the results of operations, cash flows and financial position as at March 31, 2016, should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 2016, and the MD&A and audited consolidated financial statements for the year ended December 31, 2015. The statements are available on SEDAR at www.sedar.com or the Company's website at www.zcl.com.

The Company's interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34: "Interim Financial Reporting." The notes to the interim consolidated financial statements are condensed as they do not include all of the information required in the annual consolidated financial statements. All figures presented in this MD&A are in Canadian dollars unless otherwise specified.

Forward-Looking Statements

This MD&A contains forward-looking information based on certain expectations, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially. For additional information refer to the "Advisory Regarding Forward-Looking Statements" section later in this MD&A.

Non-IFRS Measures

The Company uses both IFRS and non-IFRS measures to make strategic decisions and to set targets. Gross profit, gross margin, adjusted EBITDA, adjusted EBITDA per diluted share, funds from operations, working capital, net cash and backlog are non-IFRS measures that are used by the Company. They do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. For additional information refer to the "Non-IFRS Measures" section later in this MD&A.

This MD&A is dated as of May 4, 2016.

CORPORATE PROFILE

ZCL is North America's largest manufacturer and supplier of environmentally friendly fibreglass reinforced plastic ("FRP") underground storage tanks. We also provide custom engineered aboveground FRP and dual-laminate composite storage tanks, piping and lining systems, and related products and accessories where corrosion resistance is a high priority. ZCL has five plants in Canada, six in the US and one in The Netherlands.

The Company has three product groups, Petroleum Products, Water Products and Corrosion Products, and continues to leverage off the strong brand identities of ZCL, Xerxes, Parabeam, ZCL Dualam and ZCL Troy.

The Petroleum and Water Products groups are components of the Underground Fluid Containment ("Underground") operating segment, use a similar production process, and use the brand identities of ZCL, Xerxes, and Parabeam. Corrosion Products are included in the Aboveground Fluid Containment ("Aboveground") operating segment and use the brand identities of ZCL Corrosion, ZCL Dualam and ZCL Troy.

Underground Fluid Containment

Petroleum Products

ZCL is the leading provider of underground fuel storage tanks for the downstream retail and commercial markets in both Canada and the US. The Company also supplies tanks for pipelines (midstream petroleum markets) and for oil and gas exploration companies (upstream petroleum markets). The vast majority of tanks supplied to these markets are double wall tanks, with single wall and triple wall models also available. In addition, ZCL operates internationally through technology licensing agreements.

As an alternative to the replacement of underground storage tanks, ZCL also provides the Phoenix System®. This unique Underwriters Laboratories ("UL") and Underwriters Laboratories of Canada ("ULC") listed tank system allows in-situ upgrades of steel or fibreglass tanks to either a secondary containment system or a fully self-supporting double wall tank. It is an effective alternative to tank replacement.

A key component of both ZCL's double wall tank and the Phoenix System® is Parabeam®, a three-dimensional glass fabric that is manufactured and distributed from the Company's facility in The Netherlands.

Water Products

ZCL's lightweight, watertight and easily installed fibreglass tanks are an ideal alternative to the concrete products that have traditionally dominated this market.

Applications for ZCL's underground FRP storage tanks in the Water Products market include onsite wastewater treatment systems, fire protection systems, potable water storage, rainwater collection, large diameter wet wells and lift stations, grease interceptors and storm water detention systems.

Aboveground Fluid Containment

Corrosion Products

ZCL manufactures custom designed and engineered aboveground tanks, piping and related products and accessories for industrial projects where corrosion and abrasion resistance is high priority. ZCL's capabilities include the manufacture and installation of custom engineered FRP and dual-laminate composite products for use in the power generation, chemical, chloralkali, pulp and paper, agriculture, mining and Oil Sands industries.

OVERALL PERFORMANCE & OUTLOOK

The first quarter of 2016 delivered strong financial results, driven by the Underground operating segment. The major contributors to higher first quarter revenues, gross profit and gross margin compared with a year earlier were strong demand from the Petroleum Products and Water Products group, supported by positive weather influences compared with a year earlier and a strong US dollar.

The Aboveground operating segment was negatively impacted due to lower activity in the Oil Sands and industrial corrosion markets. We are continuing to closely evaluate this business unit, while thoroughly pursuing all avenues available to us to reduce costs and rationalize capacity in our Aboveground segment relative to the low level of demand we are experiencing.

Looking ahead, we are reasonably confident that we will be able to continue to grow revenue in 2016 compared with a year earlier, primarily driven by our US Underground operations. We expect Underground revenue growth will more than offset continued weakness in the Corrosion Products group. Our forecast for revenue growth anticipates that the US to Canadian dollar exchange rate remains in the 1.25 – 1.30 range for the rest of the year.

Our balance sheet remained strong, with working capital of \$58.5 million and a net cash balance position of \$22.2 million after the payment of \$16.7 million in dividends in the first quarter of 2016. We are keeping our balance sheet strong to maintain flexibility and preserve our ability to take advantage of future growth opportunities that may arise.

Financial Results

Revenue

Revenue for the first quarter ended March 31, 2016 was \$36.2 million, up \$4.0 million or 12% from \$32.2 million earned for the first quarter of 2015. The growth in revenue was driven by the Underground segment which was up \$11.9 million compared to a year earlier, partially offset by a decrease in revenue in the Aboveground segment.

Gross Profit

Gross profit for the first quarter ended March 31, 2016 was \$6.4 million, up \$3.4 million or 113% from \$3.0 million a year earlier. Gross margin of 18% was up nine percentage points from 9% of revenue for the first quarter of 2015, with the increase attributable to the Underground operating segment.

Net Income

Net income for the first quarter ended March 31, 2016 was \$1.0 million, up \$0.5 million or 104% from \$0.5 million a year earlier. Earnings per share for the first quarter of 2016 was \$0.03, up from \$0.02 per share a year earlier. Net income included a foreign exchange loss of \$0.9 million (three months ended March 31, 2015 - \$1.1 million foreign exchange gain) that primarily arose on the translation of US dollar assets and liabilities held in the Canadian legal entities.

Net Cash

As at March 31, 2016, ZCL had a net cash and cash equivalents (“net cash”) balance of \$22.2 million compared to \$39.1 million as at December 31, 2015 and \$20.2 million as at March 31, 2015.

We maintain cash and cash equivalents of at least \$10 million in order to effectively manage our self-insurance obligations and to fund the operational needs in foreign jurisdictions. The complexities of running international operations results in challenges obtaining debt outside of North America and therefore these operations are financed through cash.

Dividends

The Board has declared a quarterly dividend of \$0.08 per share. This represents a 78% increase over the \$0.045 declared at the same time last year. The dividend will be paid on July 15, 2016, to the shareholders of record as of June 30, 2016.

Backlog

(\$millions)	Underground	Aboveground	Mar 31
2016	46.4	1.3	47.6
2015	40.7	7.6	48.3
% change	14%	(83%)	(1%)

As of March 31, 2016, backlog was \$47.6 million, compared to \$48.3 million a year earlier. A 14% increase in Underground operating segment backlog was offset by a decrease in the Aboveground operating segment backlog.

In the Underground operating segment, backlog of \$46.4 million was \$5.6 million or 14% higher compared to the same quarter last year, with the increase generated in Petroleum Products which was up 18% compared to the same quarter in 2015.

The US operations saw an increase in backlog of \$5.0 million or 19% prior to a positive impact of \$2.4 million on the conversion of US dollar denominated backlog to Canadian dollars for reporting purposes. Before foreign exchange, US Petroleum Products backlog was up \$5.9 million or 25% while US Water Products backlog was down \$0.8 million or 22% compared to the same quarter a year earlier.

Canadian Underground operations backlog was down \$2.2 million compared to the same quarter of 2015. The strong first quarter revenue in the Canadian Underground operating segment partially contributed to the year over year decrease in backlog. However, discussions with Canadian Petroleum Products customers indicate the

current reduction in backlog is not expected to continue, revenue is expected to be similar to the prior year.

Also within Underground, Water Products backlog was down \$0.6 million or 12% compared to the quarter ended March 31, 2015, including a \$0.1 million negative impact from foreign exchange conversion of US dollar denominated backlog.

At March 31, 2016, the Aboveground operating segment backlog was down \$6.3 million compared to the same quarter a year earlier. The decrease was derived from both US and Canadian markets. As a result of the reduced activity due to weak commodity energy prices, the Oil Sands market backlog was down \$4.5 million compared to a year earlier. The industrial chemicals and power generation backlog was \$1.8 million lower than a year earlier.

The total backlog increased by \$8.0 million or 20% from \$39.6 million at December 31, 2015, driven by the Underground Product groups which were up \$8.0 million. Aboveground backlog at March 31, 2016, was comparable to December 31, 2015.

Conversion of backlog to revenue for the Underground segment is generally realized in the following quarter. For Aboveground, the conversion of backlog to revenue is less predictable because of variable timelines for design, engineering and production.

Backlog is a non-IFRS measure and does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. For additional information refer to the “Non-IFRS measures” section later in this MD&A.

Capital Allocation

ZCL has developed a consistently profitable, high free cash flow business model and will continue to act in a measured and strategic manner as it relates to investing and distributing our capital. The key levers of our capital allocation strategy are:

1. Fund all organic growth opportunities that meet the objectives of our strategic plan. We believe we can achieve both Underground and Aboveground operational gains within our expected capital (including maintenance capital) expenditures of approximately \$5 million annually.
2. Continue to evaluate and pursue opportunities to grow through mergers and acquisitions.
3. Continue to distribute cash to shareholders in the form of dividends.

Outlook

The following represents forward looking information and readers are cautioned that actual results may differ from expectations.

ZCL expects continued growth opportunities in 2016 in the Petroleum and Water Products groups; however, this will be partially offset by expected lower revenue in the Aboveground segment due to low energy prices and continued weakness in Corrosion markets.

Over the last five years, the Company has been able to grow revenue and earnings at a compound annual growth rate of 10%. We expect this is a sustainable trend over the long term; however achievement of this growth rate in any individual year is not assured.

Our outlook by product group is as follows:

Petroleum Products

We believe the Petroleum Products group, particularly the downstream (retail) sub-market, has a long term compound annual organic growth rate of high single digits. The three dynamics of larger U.S. retail petroleum marketers competing to expand their market share; an aging installed tank base that is leading to an increased rate of tank replacement; and ZCL's market share gains over steel tanks, support our forecast for continued moderate growth in our largest revenue segment.

We expect this growth to be driven by the US Downstream market where retail petroleum marketers are enjoying high margins and increased cash flow from higher gasoline sales due to low oil prices. While petroleum retailers in Canada are comparable in profitability to their US counterparts, the capital spending decisions made in Canada have been curtailed recently as a large portion of the Canadian retail market is controlled by integrated major oil companies. Certain oil companies in Canada are experiencing significant slow-downs in the Upstream segment of their businesses and have reacted by announcing across the board reductions in their 2016 capital spending plans, including spending in the profitable retail segment.

Water Products

With growing awareness in North America that water is the next scarce resource, and the recognition of water as an economic input that is increasing in value, we believe the resulting water conservation initiatives will increasingly include ZCL's storage tanks as part of the solution. Given these trends, and coupled with the gradually improving construction market across North America, we expect this revenue segment will achieve future annual compound organic growth rates in the 10% to 20% range.

Corrosion Products

Our Corrosion Products segment is not performing to our expectations, and given the current market conditions surrounding oil prices along with challenges in power generation and petro-chemicals, we do not expect a recovery in revenue in 2016 for our Corrosion Products group. This part of our business is quite cyclical as much of it, particularly in the Oil Sands, is directly linked to global energy prices and associated capital spending levels in the broad industrial markets.

As a result of the underperformance, we are closely evaluating this business unit while thoroughly pursuing all avenues available to us to reduce costs and rationalize capacity in our Aboveground operating segment relative to the low level of demand that we are experiencing.

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SELECTED FINANCIAL INFORMATION

(in thousands of dollars, except per share amounts)	Three Months Ended March 31	
	2016 \$	2015 \$
Operating Results		
Revenue		
Underground Fluid Containment	34,727	22,875
Aboveground Fluid Containment	1,451	9,320
Total revenue	36,178	32,195
Gross profit (note 1)	6,430	3,015
Gross margin (note 1)	18%	9%
General and administration	3,022	2,375
Foreign exchange loss (gain)	869	(1,066)
Depreciation and amortization	975	927
Finance expense	74	72
Loss on disposal of assets	6	-
Income tax expense	446	198
Net income	1,038	509
Earnings per share		
Basic	0.03	0.02
Diluted	0.03	0.02
Cash dividends declared per common share	0.58	0.045
Adjusted EBITDA (note 1)	2,621	1,800
% of revenue	7%	6%
Adjusted EBITDA per diluted share	0.09	0.06
Cash Flows		
Funds from operations (note 1 & 2)	1,800	1,232
Changes in non-cash working capital	(1,685)	(5,099)
Net repayment of long term debt and finance lease obligations	(525)	(443)
Issuance of common shares on exercise of stock options	962	451
Dividends paid	(16,708)	(1,208)
Purchase of capital and intangible assets, net of disposals	(318)	(708)
Foreign exchange	(979)	761
	As at	
	March 31, 2016	Dec 31, 2015
(in thousands of dollars)	\$	\$
Financial Position		
Working capital (note 1)	58,529	76,781
Total assets	153,118	177,544
Net cash (note 1)	22,246	39,095
Total non-current liabilities	4,600	5,015

Note 1: Gross profit, gross margin, adjusted EBITDA, adjusted EBITDA per diluted share, funds from operations, working capital and net cash are non-IFRS measures and are defined later in this MD&A under "Non-IFRS Measures."

Note 2: Funds from operations excludes changes in non-cash working capital.

RESULTS OF OPERATIONS
Revenue

(\$000s)	First Quarter		
	2016	2015	% change
Underground Fluid Containment:			
Petroleum Products	30,329	19,434	56%
Water Products	4,398	3,441	28%
	34,727	22,875	52%
Aboveground Fluid Containment:			
Corrosion Products	1,451	9,320	(84%)
	36,178	32,195	12%

Revenue for the quarter ended March 31, 2016 was \$36.2 million, up \$4.0 million, or 12% from \$32.2 million in the first quarter of 2015. The Underground operating segment was up \$11.9 million or 52%. This increase was partially offset by a \$7.9 million decrease in the Aboveground operating segment as compared to the first quarter of 2015. The change in revenue reflects the factors noted below:

Underground Fluid Containment

Underground revenue of \$34.7 million, was \$11.9 million or 52% higher for the quarter ended March 31, 2016, compared with the quarter ended March 31, 2015. Both Petroleum Products and Water Products contributed to the increase.

The \$10.9 million or 56% increase in Petroleum Products revenue was attributable to both Canadian and US operations. In the US, revenue was up \$5.6 million or 49% over the first quarter of 2015 prior to a \$3.6 million positive impact on the translation of US dollar sales to Canadian dollars for reporting purposes. The increase in US Petroleum revenue was driven by increased sales to retail petroleum marketers, up 67% compared with a year earlier. Sales to distributors and contractors also increased when compared to the first quarter of 2015. In addition, poor weather in certain markets in the prior year also contributed to lower revenue in the first quarter of 2015, as customers delayed delivery of product.

Canadian Petroleum Products revenue in the first quarter of 2016 was up \$1.3 million compared to the same quarter of 2015, with the increase derived from higher sales to distributors in the downstream sector. The increase was partially offset by reduced upstream sector sales compared with a year earlier due to continuing reduced levels of drilling activity.

Petroleum Products revenue also includes revenue from International operations which was up \$0.4 million compared to the first quarter of 2015, due to increased Parabeam® 3-D fabric distributor sales to customers in Europe, along with licensees.

Water Products revenue in the first quarter of 2016 was \$4.4 million, up \$1.0 million or 28% compared to \$3.4 million in the first quarter of 2015. The increase in revenue was attributable to both Canadian and US operations. Canadian revenue was up \$0.4 million compared to a year earlier. In the US, revenue was up \$0.2 million or 7% over the first quarter of 2015 prior to a \$0.4 million positive impact on the translation of US dollar sales to Canadian dollars for reporting purposes.

Aboveground Fluid Containment

Aboveground revenue of \$1.5 million for the first quarter of 2016 was down \$7.9 million or 84% compared to \$9.3 million a year earlier. The majority of the decrease in revenue was derived from a reduction in the industrial corrosion markets as quarter over quarter revenue was down \$7.5 million. Western Canadian Corrosion revenue was down \$0.4 million or 66% compared to the first quarter of 2015.

Gross Profit

(\$000s)	First Quarter			
	2016	2015	% change	% of rev 2016
Underground Fluid Containment	8,336	3,960	111%	24%
Aboveground Fluid Containment	(1,906)	(945)	(102%)	(131%)
	6,430	3,015	113%	18%

In the first quarter of 2016, gross profit of \$6.4 million was up \$3.4 million or 113% compared to the same quarter in 2015. Gross margin increased to 18% from 9% in 2015. The changes reflect the factors discussed below:

Underground Fluid Containment

Underground gross profit of \$8.3 million was up \$4.4 million or 111%, compared to the same quarter in 2015. Gross margin was 24%, up seven percentage points from 17% a year earlier.

The gross profit and gross margin increase was attributable primarily to the US Underground operations, though the Canadian operations also contributed to the increase. The significant increase in sales volume spread over the fixed cost base was the main contributor to the

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increase in gross margin compared with a year earlier. The Canadian operations significantly increased the volume of tanks produced for US customers compared with the first quarter of 2015.

Aboveground Fluid Containment

Aboveground gross profit was negative \$1.9 million, down \$1.0 million from the quarter ended March 31, 2015. The decrease in gross profit and gross margin was due to low sales volume in all Corrosion Products markets which impacted the ability to cover the fixed cost base of the Aboveground operating segment manufacturing operations. In addition, costs of \$0.4 million were incurred relating to the final closure of the Montreal manufacturing facility.

General and Administration

(\$000s)	First Quarter
2016	3,022
2015	2,375
% change	27%

General and administration ("G&A") expense for the quarter ended March 31, 2016 was up \$0.6 million compared to the quarter ended March 31, 2015. Among other factors, the increase was primarily due to increased professional fees incurred during the quarter which are not expected to be replicated.

Foreign Exchange Loss (Gain)

(\$000s)	First Quarter
2016	869
2015	(1,066)

The foreign exchange loss (gain) was the result of fluctuations in the US dollar conversion rate and the US denominated monetary assets and liabilities held by the Company's Canadian operations.

The following table details the US dollar and euro conversion rates.

US Dollar and euro Conversion Rates

First Quarter	2016		2015		Avg. Change	Close Change
	Avg.	Close	Avg.	Close		
USD	1.37	1.30	1.24	1.26	10%	3%
euro	1.51	1.47	1.40	1.37	8%	7%

For additional information on the Company's exposure to fluctuations in foreign exchange rates see the "Financial Instruments" section included later in this MD&A.

Depreciation and Amortization

(\$000s)	First Quarter
2016	975
2015	927
% change	5%

Depreciation and amortization expense for the quarter ended March 31, 2016 was comparable to the quarter ended March 31, 2015.

Finance Expense

(\$000s)	First Quarter
2016	74
2015	72
% change	3%

The finance expense in 2016 is comparable to the same quarter in 2015.

Income Taxes

Income tax expense for the three months ended March 31, 2016, represented 30% of pre-tax income, compared to 28% of pre-tax income in 2015. The effective tax rate is impacted by the foreign exchange loss that is not taxed at the same rate as operating income, thereby increasing the effective tax rate in 2016 compared to the first quarter of 2015. The effective tax rate is also impacted by the change in the mix of taxable income between the Canadian and US tax jurisdictions.

Comprehensive (Loss) Income

Comprehensive (loss) income for each period is comprised of net income and the effects of translation of foreign operations with functional currencies denominated in US dollars and euros. For accounting purposes, assets and liabilities of these foreign operations are translated at the exchange rate in effect on the balance sheet date.

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The table below details the impact of the translation of foreign operations on other comprehensive (loss) income before the impact of net income.

(\$000s)	First Quarter
2016	(6,173)
2015	5,600

The foreign translation loss in 2016 was due to the weakening of the US dollar relative to the Canadian dollar throughout the three months ended March 31, 2016 from 1.39 to 1.30. In the first quarter of 2015, the US dollar strengthened from 1.16 to 1.26, which generated a gain on the translation of foreign operations.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As at March 31, 2016, the Company decreased working capital (current assets less current liabilities) by \$18.3 million to \$58.5 million compared to \$76.8 million as at December 31, 2015. This decrease is primarily the result of the dividends paid during the first quarter of \$16.7 million, thereby reducing cash and cash equivalents.

As at March 31, 2016, the Company had cash and cash equivalents of \$23.3 million (December 31, 2015 - \$40.8 million) and net cash of \$22.2 million (December 31, 2015 - net cash of \$39.1 million). Net cash is defined later in this MD&A under "Non-IFRS Measures."

Management believes that internally generated cash flows, along with the available revolving operating credit facility, will be sufficient to cover the Company's normal operating and capital expenditures for the foreseeable future.

Credit Arrangements

The Company's operating credit facility is provided by a Canadian chartered bank. The maximum available under this facility is \$20.0 million. The operating facility is due on demand and matures on May 31, 2017.

The Company's term loan is provided by a Canadian chartered bank and requires monthly interest payments and quarterly principal repayments of \$0.3 million US dollars, with the balance scheduled to be repaid on September 30, 2016. The interest charged on the loan is the US dollar based 30-day LIBOR plus 175 basis points. The Company is also subject to mandatory repayments of outstanding principal equal to 100% of any net proceeds on asset disposals and insurance proceeds received by the Company.

Share Capital

During the three months ended March 31, 2016, the company issued 203,597 shares on the exercise of stock options.

Cash Flows

(\$000's)	First Quarter	
	2016	2015
Operating activities	115	(3,867)
Financing activities	(16,271)	(1,200)
Investing activities	(318)	(708)
Foreign exchange ⁽¹⁾	(979)	736
	(17,453)	(5,039)

(1) Foreign exchange (loss) gain on cash held in foreign currency.

Operating Activities

The cash flows from operating activities reflect the net impact of i) funds from operations (for additional information see the "Non-IFRS Measures" section later in this MD&A) and ii) changes in non-cash working capital.

Funds from operations totalled \$1.8 million for the three months ended March 31, 2016 compared to \$1.2 million for the three months ended March 31, 2015. The increase relative to 2015 is due primarily to the increase in gross profit, and thereby cash flows, in the Underground operating segment.

Changes in non-cash working capital was negative \$1.7 million for the three months ended March 31, 2016, compared to negative \$5.1 million for the three months ended March 31, 2015. In 2016, increases in inventory and decreases in accounts payable were partially offset by a reduction in accounts receivable. The change relative to 2015 related to a significant inventory increase in the first quarter of 2015 relative to 2014. Finished goods inventory has been manufactured in both periods in anticipation of continued demand in the US Underground market segments.

Financing Activities

Cash flows used in financing activities were \$16.3 million for the three months ended March 31, 2016 due to the dividends paid and principal repayments on long term debt and the finance lease. This was partially offset by proceeds received on the exercise of stock options. In the three months ended March 31, 2015, cash flows used in

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financing activities was \$1.2 million. The increase in funds used in financing activities relative to the 2015 comparative period is primarily attributable the special dividend paid in the first quarter of 2016, along with an increase in the quarterly dividend compared with the same quarter in 2015.

In March, 2016, the Company received approval from the TSX to conduct a Normal Course Issuer Bid ("NCIB") that commenced on March 28, 2016. The Corporation is authorized to purchase up to 1,500,000 common shares for cancellation. Management believes that from time to time the market prices of the common shares may not reflect their underlying value and at such times, the purchase of common shares for cancellation will increase the proportionate interest of, and be advantageous to, all remaining shareholders. No common shares were repurchased through the NCIB during the first quarter of 2016. In 2015, ZCL repurchased and cancelled 530,500 shares through the NCIB implemented in March, 2015.

Investing Activities

The cash flows used in investing activities were \$0.3 million in the three months ended March 31, 2016 compared to \$0.7 million in the comparative period in 2015. The purchase of property, plant and equipment was lower in the first quarter of 2016, compared with a year earlier.

TRANSACTIONS WITH RELATED PARTIES

Certain manufacturing components purchased for \$1,000 for the three months ended March 31, 2016 (March 31, 2015 - \$9,000), included in manufacturing and selling costs or inventories, were supplied by a corporation whose Executive Chairman is a director of the Company. The transactions were incurred in the normal course of operations and recorded at the exchange amount being

Contractual Obligations

The Company has provided a letter of credit in the amount of \$0.3 million US to secure a line of credit for the same amount for our US operations. The Company has also provided two letters of credit for a total of \$1.0 million US to secure claims for the Company's US workers' compensation program. In the normal course of business, the Company provides letters of credit as collateral for contract performance guarantees. As at March 31, 2016, the performance letters of credit issued totalled \$1.1 million.

As at March 31, 2016, ZCL's minimum annual lease commitments under all non-cancellable operating leases for production facilities, office space and automotive equipment totalled \$12.9 million.

The following table details the Company's contractual obligations due over the next five years and thereafter:

((\$000s))	Long Term Debt and Finance Lease	Operating Leases	Total
2016	1,071	2,172	3,243
2017	-	2,352	2,352
2018	-	2,093	2,093
2019	-	1,110	1,110
2020	-	936	936
Thereafter	-	4,261	4,261
Total	1,071	12,924	13,995

normal commercial rates for the products. Accounts payable and accrued liabilities at March 31, 2016, included \$nil (December 31, 2015 - \$6,000) owing to the corporation. There are no ongoing contractual or other commitments resulting from these transactions.

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SUMMARY OF QUARTERLY RESULTS

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

The Company's financial results have historically been affected by seasonality with the lowest levels of activity occurring in the first half of the year, particularly in the first quarter. In addition, the Company is subject to

fluctuations in the US to Canadian dollar exchange rate since a significant portion of its revenue is denominated in US dollars. Over the past eight quarters, the Canadian to US dollar conversion rate has ranged from a low of 1.07 in the second quarter of 2014 to a high of 1.39 in the fourth quarter of 2015.

For the three months ended	2016	2015			2014			
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
<i>(in thousands of dollars, except per share amounts)</i>	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	36,178	46,974	59,842	46,664	32,195	48,195	49,361	41,687
Net income	1,038	3,885	5,205	3,400	509	4,895	5,557	4,492
Adjusted EBITDA <i>(note 1)</i>	2,621	6,005	12,627	6,052	1,800	7,702	8,834	7,382
Basic earnings per share	0.03	0.13	0.17	0.11	0.02	0.16	0.19	0.15
Diluted earnings per share	0.03	0.13	0.17	0.11	0.02	0.16	0.18	0.15
Adjusted EBITDA per diluted share <i>(note 1)</i>	0.09	0.20	0.41	0.20	0.06	0.25	0.29	0.24
Dividends declared per share	0.58	0.05	0.045	0.045	0.045	0.04	0.04	0.035

Note 1: Adjusted EBITDA and adjusted EBITDA per diluted share are non-IFRS measures and are defined later in this MD&A under "Non-IFRS Measures."

OUTSTANDING SHARE DATA

As at May 4, 2016, there were 30,487,167 common shares and 1,219,307 share options outstanding. Of the options outstanding, 868,097 are currently exercisable into common shares. In 2016, ZCL repurchased and cancelled nil shares through the Normal Course Issuer Bid ("NCIB"). In the prior period ended May 7, 2015, 4,900 shares were repurchased and cancelled through the NCIB implemented in April, 2015.

FINANCIAL INSTRUMENTS

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 they 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 currently have a practice of trading derivatives and had no derivative instruments outstanding at March 31, 2016.

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, restricted cash 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 on the Company. The Company does not currently hold any financial instruments to mitigate its interest rate risk. Cash and cash equivalents and restricted cash earn interest based on market interest rates. Bank indebtedness balances and long term debt have floating interest rates which are subject to market fluctuations.

The effective interest rate on the bank indebtedness balance at March 31, 2016 was prime plus 25 basis points, 2.95% (December 31, 2015 - prime plus 25 basis points, 2.95%). The effective interest rate on the term loan balance at March 31, 2016 was US LIBOR rate plus 175 basis points, 2.19% (December 31, 2015 – US LIBOR rate plus 175 basis points, 2.18%). With other variables unchanged, an increase or decrease of 100 basis points in the US LIBOR and Canadian prime interest rates would have a minimal impact on the net income for the three months ended March 31, 2016.

Foreign Exchange Risk

The Company operates on an international basis and is exposed to foreign exchange risk arising from transactions denominated in foreign currencies. 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 US dollar. The revenues and expenses of the Company's US operations are denominated in US dollars. Certain of the revenue and expenses of the Canadian operations are also denominated in US 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 and considers long term forecasts to assess the potential cash flow impact on the Company.

The tables that follow provide an indication of the Company's exposure to changes in the value of the US dollar relative to the Canadian dollar, as at and for the three months ended March 31, 2016. The analysis is based on financial assets and liabilities denominated in US dollars at the end of the period ("balance sheet exposure"), which are separated by domestic and foreign operations, and US dollar denominated revenue and operating expenses during the period ("operating exposure").

Balance sheet exposure related to financial assets, net of financial liabilities, at March 31, 2016, was as follows:

(in thousands of US dollars)	\$
Foreign operations	13,250
Domestic operations	14,570
Net balance sheet exposure	27,820

Operating exposure for the three months ended March 31, 2016, was as follows:

(in thousands of US dollars)	\$
Sales	21,193
Operating expenses	18,510
Net operating exposure	2,683

The weighted average US to Canadian dollar translation rate was 1.37 for the three months ended March 31, 2016. The translation rate as at March 31, 2016, was 1.30.

Management's Discussion and Analysis

Based on the foreign currency exposures noted above, with other variables unchanged, a 20% change in the Canadian dollar would have impacted net income for the three months ended March 31, 2016, as follows:

(in thousands of US dollars)	\$
Net balance sheet exposure of domestic operations	2,171
Net operating exposure of foreign operations	297
Change in net income	2,468

Comprehensive income would have changed \$1.7 million due to the net balance sheet exposure of financial assets and liabilities of foreign operations. The timing and volume of the above transactions, as well as the timing of their settlement, could impact the sensitivity of the analysis.

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 cash equivalents, restricted cash and accounts receivable. The Company manages the credit risk associated with its cash and cash equivalents and restricted cash 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 trade and other accounts receivable 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 downstream retail oil and gas and industrial corrosion sectors. The concentration risk is mitigated by the number of customers, growth and diversification of the customer base and by a significant portion of the customers being large international organizations. As at March 31, 2016, no customer exceeded 10% of the consolidated trade accounts receivable balance. The creditworthiness of new and existing 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 creditworthiness of existing customers is monitored.

The Company reviews its trade accounts receivable regularly and amounts are written down to their expected realizable value when the account is determined not to be fully collectable. 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 \$19.2 million as at March 31, 2016 (December 31, 2015 - \$24.5 million). On a geographic basis as at March 31, 2016, approximately 19% (December 31, 2015 - 22%) of the balance of trade accounts receivable was due from Canadian and non-US customers and 81% (December 31, 2015 - 78%) was due from US customers.

Payment terms are generally net 30 days. As at March 31, 2016, the percentages of trade accounts receivable were as follows:

	March 31, 2016	December 31, 2015
Current	70%	51%
Past due 1 to 30 days	20%	26%
Past due 31 to 60 days	3%	11%
Past due 61 to 90 days	2%	6%
Past due greater than 90 days	5%	6%
Total	100%	100%

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, liquidity risk is managed 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 activities, commitments and budgeted capital expenditures.

Management's Discussion and Analysis

The Company has pledged as general collateral for advances under the operating credit facility and the bank 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.

For information on contractual maturities on long term obligations, please refer to the "Liquidity and Capital Resources" section of this MD&A.

RISKS AND UNCERTAINTIES

The Company is subject to a number of known and unknown risks, uncertainties and other factors that could cause the Company's actual future results to differ materially from those historically achieved and those reflected in forward-looking statements made by the Company. These factors include, but are not limited to, fluctuations in the level of capital expenditures in the Petroleum Products, Water Products and Corrosion Products 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; the ability of management to implement the Company's business strategy effectively; political and general economic conditions; the ability to attract and retain key personnel; raw material and labour costs; fluctuations in the US and Canadian dollar exchange rates; accounts receivable risk; the ability to generate capital or maintain liquidity and credit agreements necessary to fund future operations; and other risks and uncertainties described under the heading "Risk Factors" in the Company's most recent Annual Information Form and elsewhere in other documents filed with Canadian provincial securities authorities which are available to the public at www.sedar.com.

Environmental Risks

To conduct business operations, the Company owns or leases properties and is subject to environmental risks due to the use of chemicals in the manufacturing process.

ZCL manages its environmental risks by appropriately dealing with chemicals and waste material in an environmentally safe and responsible manner, and in accordance with applicable regulatory requirements. In addition, the Company has a Health, Safety and Environment Committee that meets regularly to review and monitor environmental issues, compliance, risks and mitigation strategies. However, it is unknown whether specific environmental conditions and incidents will impact ZCL operations in the future.

The Company elects to partially self-insure against risk of environmental contamination at its production facilities as it has determined the risk to be low. The Company is not aware of any unrecorded material environmental liabilities.

CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

The Company's financial statements have been prepared following IFRS. The measurement of certain assets and liabilities is dependent upon future events and the outcome will not be fully known until future periods. Therefore, the preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Such estimates and assumptions have been made using careful judgments, which in management's opinion, are reasonable and conform to the significant accounting policies summarized in the December 31, 2015 annual consolidated financial statements. Actual results may vary from those estimated.

Impairment

The Company assesses impairment at each reporting period by evaluating the circumstances specific to the organization that may lead to an impairment of assets. In addition to the quarterly assessment, the Company also performs an annual impairment test on goodwill and certain intangible assets in accordance with IAS 36: "Impairment of Assets."

Where indicators of impairment exist, and at least annually for goodwill and certain intangible assets, the recoverable amount of the asset or group of assets (cash generating units) is compared against the carrying amount. Any excess of the carrying amount over the recoverable amount will be recognized as an impairment

loss in the income statement. The recoverable amount is calculated as the higher of the assets' (or group of assets) value in use or fair value less cost to sell. The actual growth rates and other estimates used in the determination of fair values at the time of impairment tests may vary materially from those realized in future periods.

Property, Plant and Equipment, Intangible Assets and Goodwill

Property, plant and equipment and intangible assets with finite lives are recorded at cost less accumulated depreciation and amortization. Goodwill and indefinite life intangible assets are recorded at cost. The unamortized balances, or carrying values, are regularly reviewed for recoverability or tested for impairment whenever events or circumstances indicate that these amounts exceed their fair values. The valuation of these assets is based on estimated future net cash flows, taking into account current and future industry and other conditions. An impairment loss would be recognized for the amount that the carrying value exceeds the fair value. Depreciation and amortization of property, plant and equipment and intangible assets with finite lives is based on estimates of the useful lives of the assets. The useful lives are estimated, and a method of depreciation and amortization is selected at the time the assets are initially acquired and then re-evaluated each reporting period.

Judgment is required to determine whether events or circumstances warrant a revision to the remaining periods of depreciation and amortization. The estimates of cash flows used to assess the potential impairment of these assets are subject to measurement uncertainty. A significant change in these estimates and judgments could result in a material change to depreciation and amortization expense or impairment charges.

Allowance for Doubtful Accounts

The Company's accounts receivable balance is a significant portion of overall assets. Credit is spread among many customers and the Company has not experienced significant accounts receivable collection problems in the past. The Company performs ongoing credit evaluations and maintains allowances for doubtful accounts based on the assessment of individual customer receivable balances, credit information, past collection history and the overall financial strength of customers. A change in these factors could impact the estimated allowance and the provision for bad debts recorded in the accounts. The actual collection of accounts receivable and the resulting bad debts may differ from the estimated allowance for doubtful accounts and the difference may be material.

Self-insured Liabilities

The Company self-insures certain risks related to pollution protection provided on certain product sales, general liability claims and US workers compensation through Radigan Insurance Inc., its captive insurance company. The provision for self-insured liabilities includes estimates of the costs of reported and expected claims based on estimates of loss using assumptions determined by an actuary. The actual costs of claims may vary from those estimates, and the difference may be material.

Project Cost Forecasting

The Company routinely enters into large field service and manufacturing projects in the Aboveground operating segment. On an ongoing basis and at every reporting period, management performs an analysis on these projects to estimate if the total expected project costs are recoverable relative to the purchase order value of the project. The actual outcome of these projects may differ from those estimates, and the difference may be material.

Warranties

The Company generally warrants its products for a period of one year after sale, and for up to 30 years for corrosion, if the products are properly installed and are used solely for storage of specified liquids. In Canada, until January 31, 2015, the Company marketed a storage system under the Prezerver[®] trademark that carried an enhanced protection program. The Prezerver system included an enhanced 10 year limited warranty covering product replacement, third-party pollution protection, site clean-up and defence costs up to the limits allowed under the warranty. Until December 1, 2006, the Canadian Prezerver program was covered by insurance underwritten by a major international insurer. Effective December 1, 2006, the Company formed its own insurance captive to insure the Prezerver program. Effective January 31, 2015, the Company ceased offering the Canadian Prezerver program due to changing market conditions.

The Company provides for warranty obligations based on a review of products sold and historical warranty costs experienced. 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. While the Company maintains high quality standards and has a limited history of liability or warranty problems under its standard warranties or Prezerver program, there can be no guarantee that the warranty provision recorded, self-insurance provided by ZCL's captive insurance company or third party insurance will be sufficient to cover all potential claims. Excluding the enhanced Prezerver warranty, the maximum exposure to the Company for warranty claims is, at the Company's

Management's Discussion and Analysis

sole discretion, to repair or replace the product giving rise to the claim. The actual costs of warranties may vary from those estimated, and the difference may be material.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President & Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of ZCL on a timely basis so that appropriate decisions can be made regarding public disclosure.

In accordance with National Instrument 52-109: "Certification of Disclosure in Issuers' Annual and Interim Filings," the CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures as of the quarter ended March 31, 2016. Based on that evaluation, the CEO and CFO have concluded that the disclosure control procedures are effective and provide reasonable assurance that: (a) information required to be disclosed by the Company in its quarterly interim filings or other reports filed and submitted under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (b) material information regarding the Company is accumulated and communicated to management, including its CEO and CFO in a timely manner.

Internal Controls over Financial Reporting ("ICFR")

Management has evaluated whether there were changes in the Company's ICFR during the period ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. No material changes were identified. There were also no material weaknesses relating to the design of ICFR at March 31, 2016, and no limitations on the scope of design of ICFRs.

While management of the Company have evaluated the effectiveness of disclosure controls and procedures and ICFR as of March 31, 2016, and have concluded that these controls and procedures are being maintained as designed, they recognize that the disclosure controls and procedures and ICFR may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute assurance that the objectives of the control system are met.

NON-IFRS MEASURES

The Company uses both IFRS and non-IFRS measures to make strategic decisions and set targets and believes that these non-IFRS measures provide useful supplemental information to investors. Gross profit, gross margin, adjusted EBITDA, adjusted EBITDA per diluted share, funds from operations, working capital, net cash and backlog are measures used by the Company that do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Included below are tables calculating or reconciling these non-IFRS measures where applicable.

Gross profit is defined as revenue less manufacturing and selling costs. Manufacturing and selling costs include direct materials and labour, variable and fixed manufacturing overhead and marketing and selling expenses and exclude depreciation and amortization, general and administration and financing expenses.

Gross margin is defined as gross profit divided by revenue.

Adjusted EBITDA is defined as income from operations before finance expense, income taxes, share-based compensation, depreciation of property, plant and equipment, amortization of deferred development costs and intangible assets, gains or losses on sale of assets, and impairment of assets. Readers are cautioned that adjusted EBITDA should not be construed as an alternative to net income as determined in accordance with IFRS.

Adjusted EBITDA per diluted share is defined as adjusted EBITDA divided by weighted average diluted shares outstanding.

Funds from operations are defined as cash flows from operating activities before changes in non-cash working capital.

Working capital is defined as current assets less current liabilities.

Net cash is defined as cash and cash equivalents less long term debt, current portion of long term debt, finance lease, current portion of finance lease and bank indebtedness.

Backlog is defined as the total value of orders that have not yet been included in revenue and that management has assessed as having a high certainty of being performed because of the existence of a contract or purchase order specifying the scope, value and timing of an order.

Management's Discussion and Analysis

RECONCILIATION OF NON-IFRS MEASURES

The following table presents the calculation of gross profit and gross margin.

	First Quarter	
	2016	2015
(in thousands of dollars)	\$	\$
Revenue	36,178	32,195
Manufacturing and selling costs	29,748	29,180
Gross profit	6,430	3,015
<i>Gross margin</i>	18%	9%

The following table reconciles net income in accordance with IFRS to EBITDA and adjusted EBITDA.

	First Quarter	
	2016	2015
(in thousands of dollars)	\$	\$
Net income	1,038	509
Adjustments:		
Depreciation and amortization	975	927
Finance expense	74	72
Income tax expense	446	198
EBITDA	2,533	1,706
Share-based compensation	82	94
Loss on disposal of assets	6	-
Adjusted EBITDA	2,621	1,800
<i>Adjusted EBITDA as a percentage of revenue</i>	7%	6%

The following table presents the calculation of adjusted EBITDA per diluted share.

	First Quarter	
	2016	2015
Numerator (in thousands of dollars)	\$	\$
Adjusted EBITDA	2,621	1,800
Denominator (in thousands)	#	#
Weighted average shares outstanding – basic	30,304	30,253
Effect of dilutive securities:		
Stock options	127	324
Weighted average shares outstanding - diluted	30,431	30,577
<i>Adjusted EBITDA per diluted share</i>	\$0.09	\$0.06

Management's Discussion and Analysis

The following table presents the calculation of funds from operations.

	First Quarter	
	2016	2015
(in thousands of dollars)	\$	\$
Net income	1,038	509
Add (deduct) items not affecting cash:		
Depreciation and amortization	975	927
Deferred tax recovery	(301)	(298)
Loss on disposal of assets	6	-
Share-based compensation	82	94
Funds from operations	1,800	1,232

The following table presents the calculation of working capital.

	As at	
	March 31, 2016	December 31, 2015
(in thousands of dollars)	\$	\$
Current assets	84,493	105,032
Current liabilities	25,964	28,251
Working capital	58,529	76,781

The following table presents the calculation of net cash.

	As at	
	March 31, 2016	December 31, 2015
(in thousands of dollars)	\$	\$
Cash and cash equivalents	23,317	40,770
Less: Bank indebtedness	-	-
Less: Long term debt (including current portion)	(821)	(1,317)
Less: Finance lease (including current portion)	(250)	(358)
Net cash	22,246	39,095

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements under the heading "Outlook" and elsewhere concerning future events or the Company's future performance, including the Company's objectives or expectations for revenue and earnings growth, income taxes as a percentage of pre-tax income, business opportunities in the Petroleum Products, Water Products, Corrosion Products markets, efforts to reduce administrative and production costs, manage production levels, anticipated capital expenditure trends, activity in the petroleum and other industries and markets served by the Company and the sufficiency of cash flows and credit facilities available to cover normal operating and capital expenditures. Forward-looking statements are often, but not always, identified by the use of words such as "seek," "anticipate," "plan," "continue," "estimate," "expect," "forecast," "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 Products, Water Products, and Corrosion Products 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, political and economic conditions, the Company's ability to attract and retain key personnel, raw material and labour costs, fluctuations in the US dollar, euro and Canadian dollar exchange rates, and other risks and uncertainties described under the heading "Risk Factors" in the Company's most recent Annual Information Form, and elsewhere in this document and other documents filed with Canadian provincial securities authorities. These documents are available to the public at www.sedar.com. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards and the reporting currency is in Canadian dollars.

In addition to the factors noted above, management cautions readers that the current economic environment could have a negative impact on the markets in which the Company operates and on the Company's ability to achieve its financial targets. Factors such as continuing global economic uncertainty, tight lending standards, volatile capital markets, fluctuating commodity prices, and other factors could negatively impact the demand for the Company's products and the Company's ability to grow or sustain revenues and earnings. Fluctuations in conversion rates of the US dollar to Canadian dollar and euro to Canadian dollar also have the potential to impact the Company's revenues and earnings.

The Company believes that the expectations reflected in the 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 report should not be unduly relied upon.

The forward-looking statements in this report speak only as of the date of this report. 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 document are expressly qualified by this cautionary statement.