



CRITICAL CONTROL SOLUTIONS CORP.

Consolidated Financial Statements
March 31, 2008

CRITICALCONTROL SOLUTIONS CORP.

Consolidated Balance Sheets

Three months ended March 31,
(In thousands of Canadian dollars, except share data)
(unaudited)

	March 31, 2008	December 31, 2007
Assets (note 7)		
Current assets:		
Cash	638	566
Restricted cash	-	200
Accounts receivable	3,621	3,440
Unbilled revenue	260	337
Inventory	103	105
Prepaid expenses and other	456	397
	5,078	5,045
Deferred costs	58	91
Property & equipment	2,538	2,653
Customer relationships & contracts	3,785	3,920
Goodwill	6,110	6,110
	17,569	17,819
Liabilities and Shareholders' Equity		
Current liabilities:		
Operating line of credit (note 6)	-	823
Accounts payable and accrued liabilities	1,658	1,896
Unearned revenue	872	432
Current portion of long-term debt (note 7)	600	550
Current portion of deferred lease inducement	160	160
	3,290	3,861
Deferred lease inducement	1,271	1,310
Long-term debt (note 7)	650	950
	1,921	2,260
Shareholders' equity:		
Share capital (note 9b)	24,252	23,995
Contributed surplus (note 9c)	1,596	1,697
Deficit	(13,490)	(13,994)
	12,358	11,698
	17,569	17,819

See accompanying notes to consolidated financial statements.

On behalf of the Board:

“signed”
William Hammett

“signed”
Alykhan Mamdani

CRITICALCONTROL SOLUTIONS CORP.

Consolidated Statements of Operations, Comprehensive Income and Deficit

Three months ended March 31,
(In thousands of Canadian dollars, except share data
(unaudited))

	March 31, 2008	March 31, 2007
Revenue	5,995	6,358
Cost of revenue	2,879	3,604
	3,116	2,754
Operating expenses:		
Selling and administrative	2,045	1,923
Research & development	172	84
Amortization of property & equipment	223	240
Amortization of customer relationships & contracts	136	116
Loss on foreign exchange	4	1
Interest	32	293
	2,612	2,657
Income from continuing operations	504	97
Loss from discontinued operations (note 3)	-	(188)
Net income (loss) and comprehensive income (loss) for the period	504	(91)
Deficit, beginning of period	(13,994)	(13,112)
Deficit, end of period	(13,490)	(13,203)
Net income (loss) per share		
Basic and diluted (note 9 g)	0.004	(0.001)
Weighted average number of shares outstanding:		
Basic and diluted	132,860,582	129,855,442

See accompanying notes to consolidated financial statements.

CRITICALCONTROL SOLUTIONS CORP.

Consolidated Statement of Cash Flows

Three months ended March 31,
(in thousands of Canadian dollars, except share data)
(unaudited)

	March 31, 2008	March 31, 2007
Cash flows from (used in) operating activities:		
Net income from operations	504	97
Items not involving cash:		
Amortization of property & equipment	223	240
Amortization of customer relationships & contracts	135	116
Rent reduction (deferred credit)	(39)	-
Loss on sale of property & equipment	-	-
Stock-based compensation	3	10
Non-cash interest	-	58
Amortization of deferred financing costs	-	36
	826	557
Change in non-cash working capital balances:		
Accounts receivable	(181)	529
Unbilled revenue	77	(10)
Inventory	2	9
Prepaid expenses and other	(59)	(30)
Accounts payable and accrued liabilities	(238)	492
Unearned revenue	440	(126)
Reduction in deferred cost	32	-
Increase in cash from continued operations	899	1,421
Increase in cash from discontinued operations (note 3)	-	481
Cash flows from (used in) financing activities:		
Shares issued for cash	143	18
Deferred share purchase plan	10	-
Repayment of operating line of credit	(823)	(550)
Repayment of long term debt	(250)	(11)
	(920)	(543)
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired (note 5)	-	(394)
Proceeds from restricted cash	200	-
Purchase of property & equipment	(108)	(99)
Proceeds on sale of property & equipment	1	-
	93	(493)
Increase in cash	72	866
Cash, beginning of period	566	158
Cash, end of period	638	1,024
Supplemental disclosure of cash flow information:		
Interest paid	32	235

See accompanying notes to consolidated financial statements.

CRITICALCONTROL SOLUTIONS CORP.

Notes to Consolidated Financial Statements

Three months ended March 31,
(in thousands of Canadian dollars, except share data)
(unaudited)

Page 1

1. Basis of Presentation:

These interim consolidated financial statements of CriticalControl Solutions Corp. (the "Corporation") have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual audited consolidated financial statements. These interim consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the Corporation's annual audited consolidated financial statements as at and for the year ended December 31, 2007. In management's opinion, the interim consolidated financial statements include all adjustments necessary to present fairly such information.

2. Accounting Policy Changes

On January 1, 2008, the Corporation has adopted the new accounting standards, 1535 *Capital Disclosure*, 3031 *Inventories*, 3862 *Financial Instruments – Disclosures* and Section 3863 – *Financial Instruments – Presentation*, as issued by CICA.

CICA Section 1535, "Capital Disclosures", the new CICA Handbook Section 1535 "Capital Disclosures" requires the disclosure of qualitative and quantitative information about the Corporation's objectives, policies and processes for managing capital. Note 8 provides qualitative disclosures regarding objectives, policies and processes for managing capital. The adoption of this standard did not have a material impact on the consolidated financial statements.

CICA Section 3031 "Inventories" provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The adoption of this standard did not have a material impact on the consolidated financial statements.

CICA Section 3862, "Financial Instruments – Disclosures" and Section 3863 – "Financial Instruments – Presentation", the new CICA Handbook Sections 3862 and 3863 replaced Section 3861 to prescribe the requirements for presentation and disclosure of financial instruments. The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The adoption of this standard did not have a material impact on the consolidated financial statements.

3. Assets held for sale and discontinued operations

In the third quarter of 2007, the Corporation sold all of the assets of its PipeWorks and IMS business units. The IMS business unit was sold to a third party in August 2007 for cash proceeds of \$165 and the PipeWorks business unit was sold in September 2007 to a third party for cash proceeds of \$550. Revenues and expenses of the business have been netted and reported as income (loss) from discontinued operations on the consolidated statements of operations, comprehensive income and deficit for the period ended March 31, 2007. The financial information included herein for the period ended March 31, 2007 has been restated to include the IMS business unit as a discontinued operation.

The results of the discontinued operations for the period ended March 31, were as follows:

CRITICALCONTROL SOLUTIONS CORP.

Notes to Consolidated Financial Statements

Three months ended March 31,
(in thousands of Canadian dollars, except share data)
(unaudited)

Page 2

	March 31, 2007
Operating Results	
Revenue	939
Cost of revenue	725
	214
Selling & administrative expense	292
Research & development expense	77
Amortization of property & equipment	33
Loss from divestiture	-
	402
Net loss for the period	(188)
	March 31, 2007
Cash flows	
Net loss for the period	(188)
Amortization	33
	(155)
Change in non-cash working capital balances:	
Accounts receivable	754
Unbilled revenue	(100)
Inventory	-
Prepaid expenses and other	(37)
Accounts payable and accrued liabilities	(9)
Unearned revenue	28
Increase (decrease) in cash from discontinued operations	481

4. Segmented information

The Corporation has identified Government and Energy as reportable segments which are used to manage the business and key areas of potential growth to increase profitability. The segmented disclosures reflect these key segments.

All public company costs, interest and other expenses not directly attributed to the two operating segments are included in corporate and other.

In assessing performance of the segments and the allocation of resources to the segments, management of CriticalControl evaluates gross margin and contribution margin, defined as gross margin less selling and administrative expenses directly attributable to the segments.

All of the Corporation's identifiable assets are located in Canada.

CRITICALCONTROL SOLUTIONS CORP.

Notes to Consolidated Financial Statements

Three months ended March 31,
(in thousands of Canadian dollars, except share data)
(unaudited)

Page 3

	Government	Energy	Corporate & Other	Three months ended March 31, 2008
Revenue	3,398	2,597	-	5,995
Cost of revenue	1,939	940	-	2,879
Gross margin	1,459	1,657	-	3,116
Selling & administrative expense	818	705	522	2,045
Research & development expense	-	172	-	172
Amortization of property & equipment	56	165	2	223
Amortization of customer relationships & contracts	53	83	-	136
Interest, contract losses & other expenses	-	-	36	36
	927	1,125	560	2,612
Income (loss)	532	532	(560)	504
Segment assets	1,171	13,582	2,816	17,569
Capital expenditures	104	4	-	108

	Government	Energy	Corporate & Other	Three months ended March 31, 2007
Revenue	3,521	2,837	-	6,358
Cost of revenue	2,179	1,425	-	3,604
Gross margin	1,342	1,412	-	2,754
Selling & administrative expense	670	686	567	1,923
Research & development expense	-	84	-	84
Amortization of property & equipment	57	165	18	240
Amortization of customer relationships & contracts	53	63	-	116
Interest, contract losses & other expenses	-	-	294	294
	780	998	879	2,657
Income (loss) from continued operations	562	414	(879)	97
Income (loss) from discontinued operations	-	(188)	-	(188)
	562	226	(879)	(91)

The Corporation earned revenue from sales in the following geographic areas (based on location of the customer):

	Three months ended March 31, 2008	Three months ended March 31, 2007
Canada	5,995	6,547
United States	-	252
	5,995	6,799

CRITICALCONTROL SOLUTIONS CORP.

Notes to Consolidated Financial Statements

Three months ended March 31,
(in thousands of Canadian dollars, except share data)
(unaudited)

Page 4

For the three months ended March 31, 2008 the Corporation derived approximately 43% (2007 – 32%) of its total revenue from the Government of Alberta. As at March 31 2008, 33% (2007 – 32%) of accounts receivable pertained to this customer.

5. Business acquisitions

- a. Effective March 1, 2007, the Corporation acquired all of the issued and outstanding common shares of Idein Technologies Ltd. ("Idein"). Based in Calgary, Alberta, Idein's primary business is providing access to and control of electronic flow measurement and other devices at the well site. As consideration, CriticalControl paid \$255 in cash and issued 1,133,333 common shares of CriticalControl valued at a price of \$0.225 per share (based on the 3-day average closing share price prior to the announcement date) and transaction costs of \$10. The acquisition has been accounted for using the purchase method and the results of operations are included in the consolidated statements of operations and deficit from the date of acquisition.

The acquisition has been accounted for using the purchase method and the results of operations are included in the consolidated statements of operations and deficit from the date of acquisition.

Fair value of net assets acquired:	
Non-cash working capital	50
Property & equipment	2
Customer relationships & contracts	140
Goodwill	302
	494
Cash	26
Net assets acquired	520
Consideration:	
Cash	255
1,133,333 common shares	255
Transaction costs	10

- b. On March 1, 2007, the Corporation paid \$135 to Crimtech Services Ltd. as final payment for the contingent portion of the purchase price related to the purchase of Remote Data Acquisition ("RDA") in April, 2006. This component of the purchase price has been recognized as an additional cost of the purchase being assigned to customer relationships and contracts.

6. Operating line of credit

On December 21, 2007, the Corporation secured a revolving line of credit for up to \$3,500 to support the Corporation's working capital requirement. The line bears interest at prime plus 0.50% payable monthly in arrears. As of December 31, 2007, \$823 was drawn on the line and fully paid out in the first quarter of 2008.

7. Long-term debt

The Corporation has the following long-term debt obligations:

CRITICALCONTROL SOLUTIONS CORP.

Notes to Consolidated Financial Statements

Three months ended March 31,
(in thousands of Canadian dollars, except share data)
(unaudited)

Page 5

	March 31, 2008	December 31, 2007
Term loan in the principal amount of \$1,500 secured on December 27, 2007 expiring June, 2010 requiring monthly payments of \$50 plus interest. A general security agreement placing a charge on the assets of the Corporation and securities pledge agreements have been provided as collateral. Interest is calculated at bank prime plus 1%.	1,250	1,500
Less: current portion	600	550
	650	950

Interest paid on the long term debt during the period was \$24.

Pursuant to the terms of the above facility, the Corporation is required to maintain certain covenants all of which were met for the period ended March 31, 2008.

8. Capital Disclosures

The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders.

The Corporation monitors capital on the basis of debt to equity. This ratio is calculated as long term debt, net of cash, divided by equity.

The Corporation is meeting its objective of managing capital by maintaining a debt to equity ratio below 0.5:1, a detailed review and performance of due diligence on all potential acquisitions, and a monthly review of financial results.

The debt to equity ratio calculations at March 31, 2008 and December 31, 2007 were as follows:

	March 31, 2008	December 31, 2007
Current portion of long term debt	600	550
Long term debt	650	950
Cash	(638)	(566)
Net debt	612	934
Share capital	24,252	23,995
Contributed surplus	1,596	1,697
Deficit	(13,490)	(13,994)
Equity	12,358	11,698
Debt to equity	0.04:1	0.08:1

CRITICALCONTROL SOLUTIONS CORP.

Notes to Consolidated Financial Statements

Three months ended March 31,
(in thousands of Canadian dollars, except share data)
(unaudited)

Page 6

9. Share capital

- a. Authorized: Unlimited common shares without nominal or par value.
- b. Issued and outstanding:

Common shares	Number	Amount
Balance, December 31, 2007	131,653,115	\$23,995
Issued on exercise of stock options	1,429,000	257
Balance, March 31, 2008	133,082,115	\$24,252

- c. Contributed surplus:

Balance, December 31, 2007	\$1,697
Stock-based compensation expense	3
Reclassification of deferred share purchase plan	10
Reclassification to share capital for stock options	(114)
Balance, March 31, 2008	\$1,596

- d. Stock option plan:

As at March 31, 2008, the Corporation had 933,632 stock options outstanding with exercise prices ranging from \$0.10 to \$0.25 per share, expiring December 17, 2008 to August 9, 2011. The following table summarizes stock option transactions:

	Number of options	Weighted-average exercise price
Outstanding, December 31, 2007	2,493,300	\$0.12
Granted	-	0.00
Exercised	1,429,000	0.10
Cancelled	130,668	0.20
Outstanding, March 31, 2008	933,632	0.15
Exercisable, March 31, 2008	860,964	\$0.14

The Corporation has the following stock options outstanding:

Exercise Price	Number outstanding at March 31, 2008	Weighted-average remaining contractual life (years)	Number exercisable at March 31, 2008
\$0.10	357,800	0.94	357,800
\$0.11	50,000	1.31	50,000
\$0.12	216,666	1.73	216,666
\$0.20	156,166	1.61	134,498
\$0.25	153,000	2.08	102,000
	933,632	1.44	860,964

CRITICALCONTROL SOLUTIONS CORP.

Notes to Consolidated Financial Statements

Three months ended March 31,
(in thousands of Canadian dollars, except share data)
(unaudited)

Page 7

The Corporation records compensation costs on the granting of stock options using the fair value based method. The following table presents the weighted-average assumptions used to determine stock-based compensation expense using the Black-Scholes option pricing model:

	March 31, 2008	March 31, 2007
Stock-based compensation expense	\$3	\$10
Dividend yield	0.00%	0.00%
Expected volatility	91%	103% - 147%
Risk-free interest rate	3.82%	4.00%
Expected life	3 years	4 years
Weighted-average grant date fair value	\$0.15	\$0.15

e. The following table represents all Deferred common shares granted:

	Deferred Common Shares	Deemed Value
Outstanding, December 31, 2007	475,481	\$105
Issued in 2008	89,425	\$10
Outstanding, March 31, 2008	564,906	\$115

As an additional performance incentive measure, the Corporation adopted a Deferred Annual Bonus and Share Purchase Plan ("DSP") in 2006. The DSP enables employees to elect to receive up to 10% of their annual base salary and up to 100% of any annual bonus to which they become entitled in the form of Deferred Common Shares ("DCS"). The DCS are issued in lieu of cash and as such, the amount of cash that the DCS is issued in lieu of is expensed.

Each DCS may be redeemed by the holder for one common share of the Corporation for no additional payment on the death or termination of the holder's service to the Corporation. Up to 3,000,000 DCS may be issued under the Plan, but in no event shall the total number of DCS, combined with the number of outstanding stock options issued pursuant to the Corporation's stock option plan, exceed 10% of the outstanding shares of the Corporation

f. Warrants and Special Warrants:

As at March 31, 2008, the Corporation has 13,981,630 Special Warrants outstanding to acquire common shares with exercise prices ranging from \$0.115 to \$0.22 per share, expiring August 20, 2008 to January 3, 2010, as follows:

Exercise price	Number outstanding at December 31, 2007	Weighted-average remaining contractual life (years)
\$0.12	9,731,630	0.75
\$0.22	4,250,000	1.75
	13,981,630	1.05

CRITICALCONTROL SOLUTIONS CORP.

Notes to Consolidated Financial Statements

Three months ended March 31,
(in thousands of Canadian dollars, except share data)
(unaudited)

Page 8

The following table summarizes Warrant and Special Warrant transactions:

	Number of warrants	Weighted-average exercise price
Outstanding, December 31, 2007	13,981,630	\$0.15
Granted	-	-
Expired	-	-
Outstanding, March 31, 2008	13,981,630	\$0.15

g. Net income per share:

The calculation of net income per share is based on the weighted-average number of common shares outstanding for the three months ended March 31, 2008 of 132,860,582 (three months ended March 31, 2007 – 129,855,442). Diluted amounts are calculated taking into consideration the potential conversions and the exercise of options and warrants. Such conversions and exercises of options and warrants are anti-dilutive and have been excluded from the calculation of diluted net income (loss) per share.