



CriticalControl Solutions Corp.

Restated Management Discussion & Analysis

December 31, 2010

The following discussion and analysis provides a review of the operating results, financial position and liquidity risk affecting the financial results of CriticalControl Solutions Corp. for the year ended December 31, 2010 prepared as of March 14, 2011 and restated as appropriate on November 17, 2011. This report should be read in conjunction with the Corporation's restated December 31, 2010 audited consolidated financial statements and accompanying notes presented in accordance with Canadian generally accepted accounting principles ("GAAP") as issued on November 17, 2011.

All financial information is presented in thousands of Canadian dollars, except share data.

CORPORATE DEVELOPMENTS

Revenue increased by 71%

- Revenue increased by 71% to \$50,721 for the twelve months ended December 31, 2010 compared to \$29,631 for the same period in 2009.
- Revenue from the Corporation's Service Bureau Operations increased by 28% for the twelve months ended December 31, 2010 driven by full year results from the Corporation's acquisitions in Manitoba and Ontario in Q3 and Q4 of 2009.
- Revenue associated with the Corporation's Energy Services business increased by 115% for the twelve months ended December 31, 2010 as a result of the Corporation's expansion into the United States through the acquisition of GAS Analytical Service, Inc. ("GAS") in Q4 2009 and TSM Ltd ("TSM") in Q4 2010.

Income before tax decreased by 11%, Income after tax increased by 4% (Restated - see Correction of 2010 Inventory Error on page 2)

- Income before tax decreased by 11% to \$2,558 for the twelve months ended December 31, 2010 compared to \$2,873 for the same period in 2009.
- Net income increased by 4% to \$3,143 for twelve months ended December 31, 2010 compared to \$3,024 for the same period in 2009.
- Given the Corporation's recent history of profitability and the implementation of tax planning initiatives to ensure the remaining losses available for carry forward are utilized, management reversed the valuation allowance that was set up in prior years. This tax benefit was offset by other changes in estimates related to the tax provision, resulting in a net benefit of \$1,401 being recognized in 2010 that was unrelated to the Corporation's current taxable earnings.
- Interest, depreciation and amortization totaled \$3,290 compared to \$2,048 the previous year. Of this amount, \$1,407 was related to amortization of intangibles associated with acquisitions compared to \$799 the previous year.
- In addition, the Corporation incurred charges of \$636 resulting from lease termination costs, legal expenses and employee severances resulting from the integration of acquisitions and an allowance of \$169 towards the Corporation's accounts receivable associated with a contractual relationship entered into by BPOMS prior to the Corporation's acquisition of BPOMS.

Continued the expansion of our technologies through acquisition

- On May 1, 2010, the Corporation acquired 100% of the outstanding shares of QM4 Engineering Ltd. ("QM4") for \$500 cash. Additional contingent consideration totaling a maximum of \$3,000 will be payable over the next 5 years upon meeting certain revenue growth criteria. The purchase price was financed by a term loan from the Corporation's bank at prime plus 1.55%, repayable on May 31, 2011. QM4 is a provider of advanced algorithms which analyze natural gas production and composition information together with spatial data to determine areas of risk for production flow degradation and corrosion in complex gathering systems.
- On October 1, 2010, the Corporation acquired Calgary, Alberta based Visible Data Inc. and Visible One Call Inc. (the "Visible Data Group" or "VDG") for \$750. The purchase price includes \$550 paid on closing, \$200 to be paid by June 1, 2011 and additional performance-based compensation based on revenue growth of up to \$250 over the next three years. The cash portion of the purchase price was financed by a term loan from the Corporation's bank at prime plus 1.75%, repayable over a one-year period. VDG's business includes a service to manage gathering system (pipeline) schematics integrated with data from regulatory databases, the sale of subscriptions of VDG's proprietary online well production and pipeline attribute databases and an outsourced solution to manage regulatory mandated facility tracking requirements.

Continued US expansion

- On November 5, 2010, the Corporation acquired the business and assets of TSM, Ltd. of Girard, Ohio ("TSM") for \$1,903 through its wholly owned United States subsidiary, TSM Analytical Services, Inc. \$1,352 of the purchase price was paid at closing with the remaining \$551 payable on November 1, 2011. In addition to the purchase price, the Corporation also acquired and paid for certain inventory and accounts receivable of TSM, net of certain assumed liabilities for \$451. The cash portion of the purchase price was financed by funding from the private placement in Q4. TSM currently operates as Tri State Measurement and is a leading provider of gas measurement services, including the integration of gas charts, in Ohio.

Increased equity and reduced debt

- On June 30, 2010, the Corporation closed a non brokered private placement for gross proceeds of \$2,340 and issued 3.9 million shares at \$0.60 per share to three institutional shareholders. The third party fees and other costs amounted to \$140.
- On October 29, 2010, and November 10, 2010 the Corporation closed a bought deal private placement for gross proceeds of \$2,514 and issued 4,570,456 common shares at \$0.55 per share to Laurentian Bank Securities. The third party brokerage fees and other costs amounted to \$156. The use of funds from the placement is to facilitate the short term acquisition and growth objectives of the Corporation in its United States based energy services business and for general working capital purposes.
- Notwithstanding debt incurred related to acquisitions completed in 2010, total long term debt and bank debt (inclusive of current portion) decreased by \$4,149 from \$12,628 in 2009 to \$8,479.

CORRECTION OF 2010 INVENTORY ERROR

During 2011, and subsequent to release of the December 31, 2010 consolidated financial statements, the Corporation's ongoing efforts to improve processes and controls relating to the management of inventory at its US fabrication facilities led to the identification of an error in the carrying value of inventory that originated in the Corporation's 2010 consolidated financial statements. The accounting error is attributable to incorrect costing and incorrect relieving of inventory as fabricated measurement assemblies were sold. The total inventory overstatement at December 31, 2010 was \$1,651. Further details regarding the financial impact of correcting the error is disclosed in note 16 to the restated December 31, 2010 consolidated financial statements.

In 2011, the Corporation has strengthened its inventory management processes through the hiring of more experienced personnel and the implementation of improved internal controls.

As noted, this error has been corrected in the restated December 31, 2010 consolidated financial statements. Comparative information included throughout this document has also been restated to reflect the correction of this error.

SELECTED ANNUAL INFORMATION

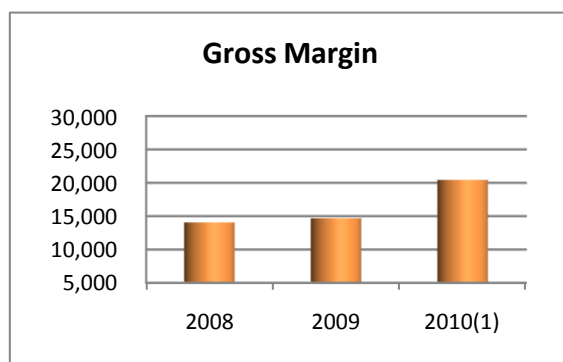
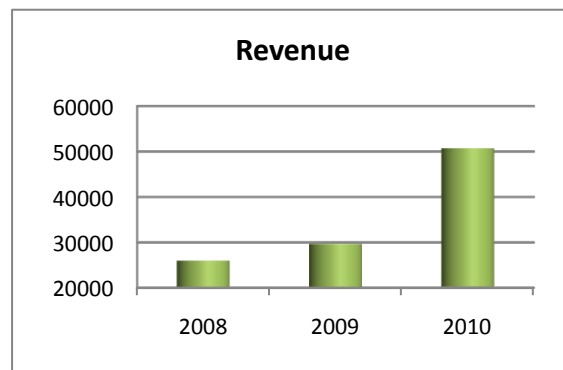
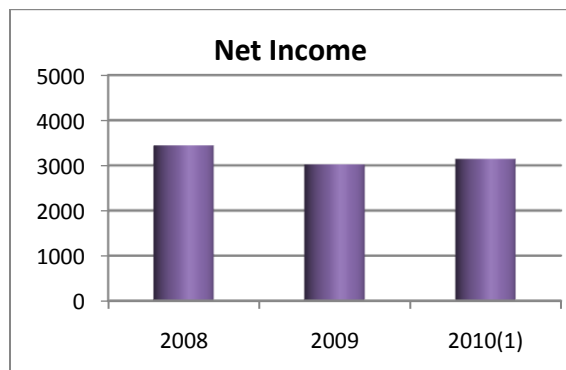
	Year ended December 31, 2010 ⁽⁴⁾	Year ended December 31, 2009	Year ended December 31, 2008
Revenue	50,721	29,631	25,985
Gross Margin ^{(2) (3)}	20,435	14,656	14,044
Income before income tax	2,558	2,873	3,444
Net Income	3,143	3,024	3,444
Net Income per share – basic	0.07	0.08	0.08
Amortization of Property & Equipment	1,326	1,148	1,021
Amortization of intangible assets	1,407	799	570
Interest	557	101	85
Current Assets	15,762	13,476	6,328
Current Liabilities	11,250	11,427	3,944
Working capital ⁽¹⁾⁽²⁾	4,512	2,049	2,384
Total assets	44,387	40,429	19,439
Total long-term debt (includes current portion)	8,479	9,930	850
Total equity	25,172	17,605	14,095

(1) Working capital, defined as current assets less current liabilities, is a non-GAAP measure and may not be comparable to similar measures used by other companies. Management believes that working capital is an indicator of the Corporation's liquidity and its ability to meet its current obligations.

(2) Readers are cautioned not to view this non-GAAP financial measure as an alternative to financial measures calculated in accordance with GAAP.

(3) Gross margin is a non-GAAP measurement that management believes is a useful supplemental measure of operations.

(4) Restated - see Correction of 2010 Inventory Error on page 2.



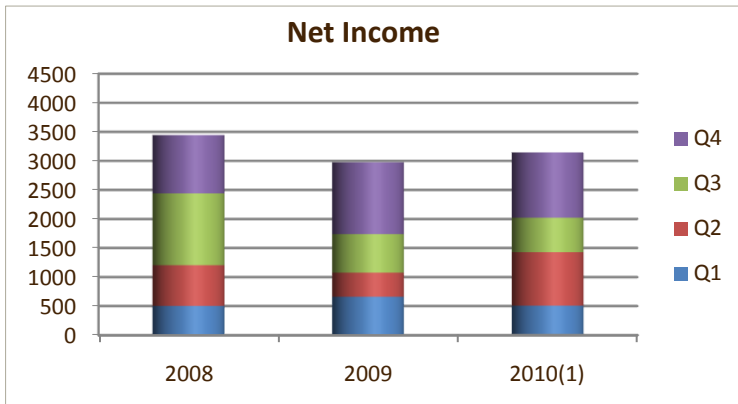
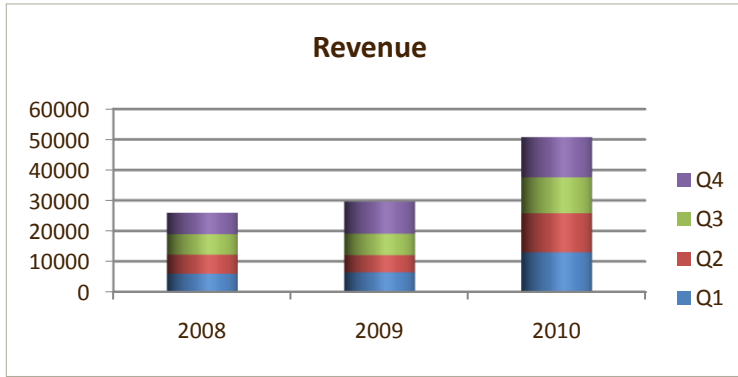
⁽¹⁾ Restated - see Correction of 2010 Inventory Error on page 2.

SUMMARY OF QUARTERLY RESULTS

The following table presents certain financial information on a consolidated basis for the last eight quarters.

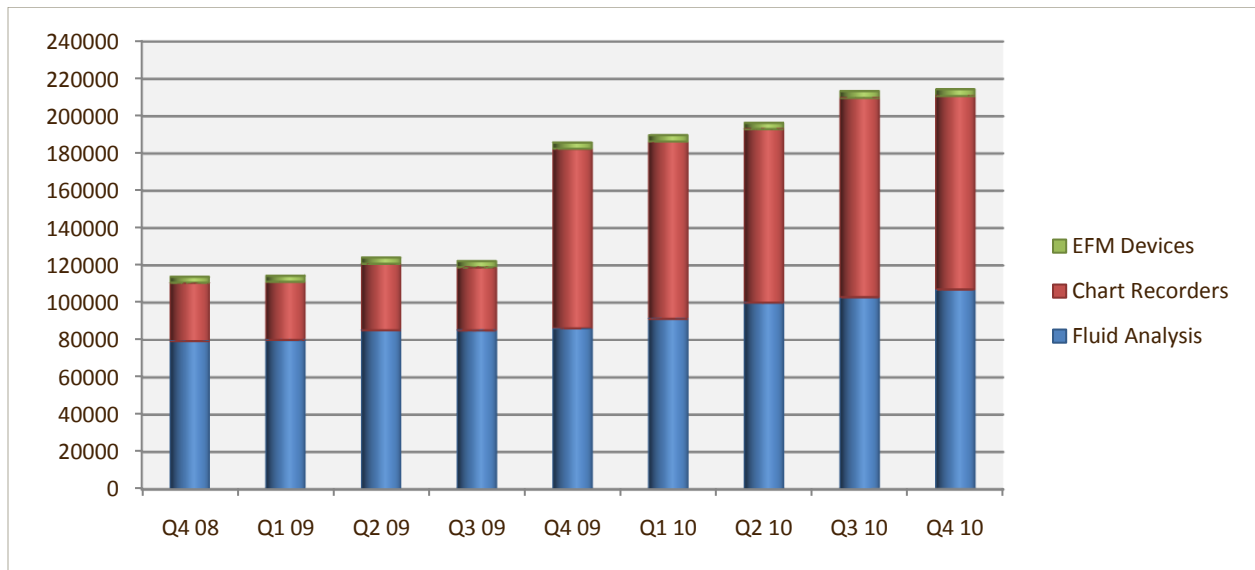
	Years ended December 31,							
	2010				2009			
	Q4 ⁽¹⁾	Q3 ⁽¹⁾	Q2 ⁽¹⁾	Q1	Q4	Q3	Q2	Q1
Revenue	13,216	11,669	12,796	13,042	10,511	7,057	5,617	6,445
Net Income before tax	(65)	726	1,186	711	1,233	665	466	660
Net Income	1,121	595	917	510	1,233	665	466	660
Net income per share	0.02	0.01	0.02	0.01	0.03	0.02	0.01	0.02

⁽¹⁾ Restated - see Correction of 2010 Inventory Error on page 2.



⁽¹⁾ Restated - see Correction of 2010 Inventory Error on page 2.

Serviced Measurement Points



CORPORATE PROFILE

CriticalControl Solutions Corp. (the "Corporation" or "CriticalControl") enables its clients to increase operational performance through the better control of critical business information. Integrating technology with labour intensive processes of imaging and data entry, CriticalControl empowers its clients to increase their competitiveness, reduce operating expenses and improve margins.

Service Bureau Operations

The Corporation's Service Bureau Operations include the implementation of technology and provision of outsourced solutions to streamline information intensive business functions of its clients primarily in the Government, Health Care, Financial and Retail industries. Services include:

1. Provision of data entry and imaging services to capture paper or microfilmed documents electronically;
2. Provision of technology solutions and hosted repositories to manage captured electronic information efficiently;
3. Outsourcing of business processes in their entirety; and
4. Imaging equipment sales and service.

Energy Services

The Corporation's Energy Services comprises of service bureau operations for its upstream and midstream oil and gas clients, including:

1. Efficient capture and control of natural gas production and composition data from the field regardless of instrumentation;
2. Risk assessment and regulatory compliance capability through the management of natural gas production data, pipeline data and related documentation;
3. Provision of public and proprietary industry data sets to enable qualitative analysis and decision making.
4. Gas measurement field services inclusive of natural gas meter installation, calibration and monitoring to the Corporation's customer base primarily in the North Eastern United States; and
5. Fabrication and assembly of gas measurement and related equipment to the Corporation's customer base primarily in the North Eastern United States.

RESULTS OF OPERATIONS

Comparison of the three and twelve months ended December 31, 2010 and 2009.

Revenue

	Three months ended December 31,			Year ended December 31,		
	2010	2009	Change	2010	2009	Change
Revenue						
Service Bureau Operations	4,794	4,501	7%	19,039	14,901	28%
Energy Services	8,422	6,010	40%	31,682	14,730	115%
	13,216	10,511	26%	50,721	29,631	71%

Service Bureau Operations

Revenue for the Corporation's service bureau operations for the twelve months ended December 31, 2010 increased by \$4,137 when compared to the corresponding period in 2009. A recessionary induced \$2,630 decrease in Alberta based

service bureau revenue during the period was offset by revenue of \$6,767 from the acquisitions of BPOMS (August 1, 2009) and Southport (October 1, 2009).

Service bureau operations revenue for the three months ended December 31, 2010 increased by \$293 compared to the same period in the previous year. This increase was due primarily to the recognition of a full quarter of revenue from the acquisition of Southport and the stabilization of the impact of recessionary pressures in Alberta and Manitoba.

Energy Services

Revenue for the Corporation's Canadian Energy business was \$11,330 compared to \$11,801 for the same period in 2009. A general decline in expenditures by gas producers in Canada due to prevailing low commodity prices and shut in wells was offset by an increase in the penetration of the Corporation's solutions in the market, including an increase of \$535 from the acquisitions of QM4 Engineering in May 2010 and Visible Data Group in October 2010.

The Corporation's US operating subsidiary GAS Analytical Service, Inc. ("GAS") acquired in November, 2009 generated revenue of \$20,098 for the year ended December 31, 2010. For the full year ended December 31, 2009, inclusive of the 10 months prior to the acquisition, GAS generated revenue of \$16,149. The organic growth was a result of increased activity in the Appalachian Basin as North American gas producers increase investment in lower cost operating basins and increased industry interest in the Marcellus Formation within the Appalachian Basin. Additionally, the Corporation's acquisition of Tri State Measurement of Ohio in November, 2010 added revenue of \$254.

In Q4 of 2010, revenue from the Corporation's Canadian Energy Services declined by \$96 notwithstanding increased revenue of \$303 from the acquisitions of QM4 and Visible Data. Revenue from the Corporation's US Energy Services business increased by \$2,508 from the impact of a full quarter in 2010 of the acquisition of GAS in November, 2009 and \$254 from the acquisition of TSM in November, 2010.

Cost of Revenue and Gross Margin

Comparison of the three and twelve months ended December 31, 2010 and 2009.

	Three months ended December 31,			Year ended December 31,		
	2010 ⁽²⁾	2009	Change ⁽²⁾	2010 ⁽²⁾	2009	Change ⁽²⁾
Cost of Revenue						
Service Bureau Operations	3,304	3,090	7%	13,020	9,330	40%
Energy Services	5,100	2,700	89%	17,266	5,645	206%
	8,404	5,790	45%	30,286	14,975	102%
Gross margin ⁽¹⁾						
Service Bureau Operations	1,511	1,411	7%	6,019	5,571	8%
Energy Services	3,320	3,310	0%	14,416	9,085	59%
	4,831	4,721	2%	20,435	14,656	39%
Gross margin percentage ⁽¹⁾						
Service Bureau Operations	31%	31%	0%	32%	37%	(16)%
Energy Services	39%	55%	(28)%	46%	62%	(26)%
	37%	45%	(18)%	40%	49%	(18)%

⁽¹⁾ Gross margin is a non-GAAP measurement that management believes is a useful supplemental measure of operations.

⁽²⁾ Restated - see Correction of 2010 Inventory Error on page 2.

Service Bureau Operations

Gross margin in the Corporation's Service Bureau Operations remained unchanged for Q4, but declined for the twelve months ended December 31, 2010 compared to the same periods in 2009, despite an increase in revenue. As the Corporation executed on its aggressive growth strategy to offset reduced revenue in Alberta with new revenue streams from outside Alberta, historic benefits of economies of scale were lost. Additionally, the Corporation's acquisition of BPOMS business included sales of third party imaging equipment, the gross margin of which as a percentage of revenue was lower than the Corporation's historic operations.

Energy Services (Restated - see Correction of 2010 Inventory Error on page 2)

Gross margin as a percentage of revenue in the Corporation's Canadian Energy Services business remained strong at 66% for the three months and 68% for the twelve months ended December 30, 2010, however these higher margins were offset by the Corporation's United States Energy Services business, with lower historic gross margins due to the competitive margins associated with the sale and installation of gas measurement meters and related equipment.

The gross margin percentage for the United States Energy Services business was 25% for the three months ended December 30, 2010 compared to an average of 33% for the twelve months ended December 31, 2010. Comparatively, for the 12 months ended December 31, 2009 inclusive of the 10 months prior to the acquisition of GAS by the Corporation, GAS generated gross margins of 31%.

Operating Expenses

For the year ended December 31,	Service Bureau Operations		Energy Services		Corporate		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Selling & administrative expenses	5,672	3,596	3,917	2,996	4,066	2321	13,655	8,913
Research and development expenses	-	-	1,111	750	-	-	1,111	750
Amortization of property & equipment	455	336	802	807	69	5	1,327	1,148
Amortization of intangible assets	751	370	656	429	-	-	1,407	799
Interest and other expenses	-	-	-	-	378	173	378	173
	6,878	4,302	6,486	4,982	4,513	2,499	17,877	11,783

Selling and Administrative Expenses

Selling and administrative expenses attributed to the Corporation's Service Bureau Operations increased by 58% for the year ended December 31, 2010 compared to the same period in 2009. The 2009 period reflects \$610 in cost reduction due to the recognition in Q4 of the Corporation's investment tax credits which were previously not included on the Corporation's balance sheet. The remainder of the increase was a result of the full year cost related to addition of offices in Winnipeg and Toronto associated with the acquisition and integration of BPOMS and Southport.

Selling and administrative expenses attributed to the Corporation's historic Canadian energy business declined by \$547 (21%) for the twelve months ended December 31, 2010 compared to the same period last year due to general streamlining of expenses, offset by additional selling and administrative costs of \$1,468 for the twelve months, incurred by the addition of offices in Stonewood, West Virginia, Indiana, Pennsylvania and Girard, Ohio associated with the acquisitions of GAS and TSM.

Selling and administrative expenses attributed to Corporate overhead increased by \$1,745 for the twelve months ended December 31, 2010 compared to the same period last year. The increase is attributed to general administrative expenses related to the acquired companies and costs related to the changeover to International Financial Reporting Standard ("IFRS") from GAAP, required for publically traded corporations.

The Corporation incurred certain onetime legal expenses, severances in the administrative integration of acquisitions and lease termination costs \$636 and an allowance of \$169 towards the Corporation's accounts receivable associated with a contractual relationship entered into by BPOMS prior to the Corporation's acquisition of BPOMS.

Research and Development

The Corporation continued with its research and development initiatives to increase the functionality its Energy Services clients can derive from the Corporation's consolidated production data repository, ProStream. The Corporation increased its research and development expenses by 60% for the twelve months ended December 31, 2010 compared to the same period in 2009 due to the launch of ProStream in Canada and the continued development of its solutions to handle the Corporation's US customers.

Interest and Other Expenses

The Corporation's interest expense consisted of the following:

	Year End December 31	
	2010	2009
Operating lines	82	38
Promissory note	353	63
Accretion of long term debt	109	-
Term loan	13	-
	557	101

Net Income

	Year End December 31	
	2010 ⁽¹⁾	2009
Income before income tax	2,558	2,873
Income tax recovery	(585)	(151)
Net income	3,143	3,024

⁽¹⁾ Restated – see Correction of 2010 Inventory Error on page 2.

The Corporation's results for the year ended December 31, 2010 included amortization costs of \$2,733 (\$1,947 in 2009) and interest of \$557 (\$101 in 2009).

Income Taxes (Restated- see Correction of 2010 Inventory Error on page 2)

The Corporation's US operating subsidiaries were taxable in 2010, but the taxable income from Canadian operations was offset by losses carried forward from prior years. Given the Corporation's recent history of profitability and the implementation of tax planning initiatives to ensure the remaining losses available for carry forward are utilized, management concluded that the benefit of all of these losses met the "more likely than not" criteria for recognition and accordingly reversed the valuation allowance that was set up in prior years. This tax benefit was offset by other changes in estimates related to the tax provision, resulting in a net benefit of \$1.4 million being recognized in 2010 that was unrelated to the Corporation's current taxable earnings. When this non-recurring amount is backed out, the remaining income tax expense of \$0.8 million represents the estimated 2010 taxes for the US and Canadian operations, assuming there were no losses available from prior years to shelter the Canadian taxable income. The estimated US taxes are \$0.4 million and the estimated Canadian taxes are \$0.4 million (before the application of prior year losses).

LIQUIDITY AND CAPITAL RESOURCES

Working capital at December 31, 2010 was \$4,512 compared to \$2,049 for the same period in 2009, an increase of \$2,463.

The increase in working capital was as follows:

	December 31 2010 ⁽¹⁾	December 31 2009	Variance ⁽¹⁾
Cash	1,147	1,049	98
Accounts receivable	9,925	7,326	2,599
Unbilled revenue	251	259	(8)
Inventory	2,693	2,768	(75)
Prepaid expenses	1,719	2,074	(355)
Future tax asset	27	-	27
	15,762	13,476	2,286
Operating line of credit	-	2,698	(2,698)
Accounts payable and accrued liabilities	6,034	4,628	1,406
Unearned revenue	2,086	2,331	(245)
Current portion of long-term debt	2,949	1,610	1,339
Current portion of deferred lease inducement	181	160	21
	11,250	11,427	(177)
Working Capital	4,512	2,049	2,463

⁽¹⁾ Restated - see Correction of 2010 Inventory Error on page 2.

The following table shows the Corporation's financial liabilities inclusive of operating leases:

	Total	2011	2012	Beyond 2012
Operating line of credit	-	-	-	-
Accounts payable and accrued liabilities	6,034	6,034	-	-
Long term debt	8,479	2,949	2,630	2,900
Commitments	6,709	1,480	1,254	3,975
Total	21,222	10,463	3,884	6,875

Management anticipates that its current level of cash flow from operations is sufficient to meet its obligations, but expects to regularly review its level of capital resources and adjust spending accordingly. This review will consider factors such as the current economic environment, changes in demand for the Corporation's services and profitability of the Corporation's operations, any of which may materially affect the Corporation's ability to meet its obligations.

On July 30, 2009, the Corporation replaced its \$3,500 revolving operating facility with a \$5,000 revolving operating facility with a Canadian Chartered Bank. Management's 2011 budget for capital expenditures, not inclusive of any amounts which may be used to fund potential acquisitions is \$550. Pursuant to a US\$9,000 promissory note issued in relation to the acquisition of GAS, the Corporation has agreed with the vendor not to increase the Corporation's operating line above \$5,000 until a total of US\$3,000 has been repaid on the promissory note due to the vendor.

At December 31, 2010, the Corporation had \$1,147 of cash on hand and access to \$3,473 of its operating facility to fund its ongoing working capital requirements for 2011. In the event of a negative material change in the Corporation's ongoing business or cash requirements to fund potential acquisitions, further financing may be necessary, the success of which will be dependent upon the Corporation's ability to access the capital markets. Management does not anticipate any impact to the Corporation's liquidity.

FINANCIAL INSTRUMENTS

Fair Value

As at December 31, 2010, the estimated fair values of cash, accounts receivables, operating line of credit, long term debt, accounts payable and accrued liabilities approximated their carrying values. The stated value of the long term debt approximates its fair value at December 31, 2010.

Credit and Concentration Risk

For the year ended December 31, 2010 the Corporation derived approximately 12% (2009 – 30%) of its total revenue from the Government of Alberta. As at December 31, 2010, 10% (2009 – 12%) of accounts receivable pertained to this customer. Losses under other trade accounts receivable have been historically insignificant. The credit worthiness of new customers is subject to review by management and that of existing customers is monitored.

Interest Rate Risk

The Corporation's objective in managing interest rate risk is to monitor expected volatility in interest rates while also minimizing financing expense levels. Interest rate risk mainly arises from fluctuations of interest rates and the impact on the return earned on cash and the expense on floating rate debt. On an ongoing basis, management monitors changes in short-term rates and considers long-term forecasts to assess potential cash flow impacts to the Corporation. A change of 100 basis points in the market interest rate would have had for the year ended December 31, 2010 an approximate impact on net earnings of \$84 (\$27 -2009). The Corporation does not currently hold any financial instruments to mitigate its interest risk.

Foreign Exchange Rate Risk (Restated - see Correction of 2010 Inventory Error on page 2)

A portion of the Corporation's sales and long term debt are in U.S. dollars. Future fluctuations in the exchange rates could have an effect on the Corporation's business and results of operations. In particular, a further decline in the value of the United States dollar relative to the Canadian dollar could have a material adverse effect on the Corporation's results of operations and cash flows. The Corporation does not currently undertake any exchange rate hedging activities.

A change of 100 basis points in exchange rate would have had an approximate impact on net earnings of \$5 (2009 - \$6) for the year ended December 31, 2010. The Corporation does not currently hold any financial instruments to mitigate foreign exchange rate risk.

BUSINESS RISKS

Management of Growth

The Corporation has, in the past, experienced significant growth in its business, including an expansion in the Corporation's staff, customer base and the expansion of its product and service offerings. Such growth placed, and will continue to place, a significant strain on the Corporation's management and operations. The Corporation's ability to manage growth effectively in the future will require it to further develop and improve its operational, financial and other internal systems, as well as to hire, and manage employees. If the Corporation is unable to manage its growth effectively, the Corporation's business, results of operations, liquidity and financial condition could be materially and adversely affected.

Exchange Rate Fluctuation

A portion of the Corporation's sales and long term debt are in U.S. dollars. Future fluctuations in the exchange rates could have an effect on the Corporation's business and results of operations. In particular, a further decline in the value of the United States dollar relative to the Canadian dollar could have a material adverse effect on the Corporation's results of operations and cash flow. The Corporation does not currently undertake any exchange rate hedging activities.

Fluctuation in Quarterly Results

Quarterly revenue and operating results may fluctuate as a result of a variety of factors, including demand for the Corporation's products and services, the proportion of revenue attributable to proprietary software licensing and implementation versus service revenue, the introduction of new products and product enhancements by the Corporation or its competitors, changes in the Corporation's pricing policies or those of its competitors, currency exchange rate fluctuations, or the fixed nature of a significant portion of the Corporation's operating expenses, particularly salaries and leasing costs.

Dependence on Management and Key Employees

The Corporation's continued success will depend, to a very significant extent, on the performance and continued services of its senior management and certain other key employees, the loss of any of whom could have a material adverse effect upon the

Corporation. In addition, the Corporation has hired a number of key managers within the past four years and may continue to expand its management team in the future. The Corporation believes that its future success will also depend in large part upon its ability to attract and retain highly skilled technical, managerial and marketing personnel. Competition for such personnel is intense and the Corporation has experienced difficulties in recruiting qualified personnel and may continue to experience such difficulties in the future. There can be no assurance that the Corporation will be successful in attracting and retaining the personnel it requires to continue to maintain and expand its business. The Corporation has key person life insurance on its President and CEO.

Risks Related to Acquisitions

The Corporation may, in the future, further expand its operations or product offerings through the acquisition of additional businesses, products or technologies. There can be no assurances that the Corporation will be able to identify, acquire or profitably manage additional businesses without substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions also entail numerous risks, including: difficulties in assimilating acquired operations, products and personnel; unanticipated costs, events and legal liabilities; diversion of management's attention from other business concerns; adverse effects on existing business relationships with suppliers and customers; risks of entering markets in which the Corporation has limited or no prior experience; and potential loss of key employees from either the Corporation's pre-existing business or the acquired organization. Some or all of these risks could have a material adverse effect on the Corporation's business, results of operations and financial condition.

In addition, there can be no assurance that acquired businesses, products or technologies, if any, will achieve anticipated revenues and income. Acquisitions could also use a substantial portion of the Corporation's available cash; may result in the Corporation incurring substantial debt, which may not be available on favorable terms and may adversely affect the liquidity of the Corporation's stock; may result in the Corporation assuming contingent liabilities and taking substantial charges in connection with the impairment of goodwill and amortization of other intangible assets; and may result in the issuance of equity securities that would dilute existing shareholders. The failure of the Corporation to manage its acquisition strategy successfully could have a material adverse effect on the Corporation's business, results of operations, liquidity and financial condition.

Protection of Intellectual Property

The Corporation relies primarily on a combination of copyright, trademark and trade secrets laws, confidentiality procedures and contractual provisions to protect its proprietary rights. Substantial portions of the Corporation's sales are derived from the licensing of the Corporation's products. The Corporation generally enters into confidentiality agreements with its other licensees and employees. Despite the Corporation's efforts to protect its proprietary rights, unauthorized parties may attempt to copy and may succeed in copying aspects of the Corporation's products or to obtain and use information that the Corporation regards as proprietary. Furthermore, there can be no assurance that others will not independently develop products similar to those of the Corporation. In addition, the laws of some foreign countries do not protect the Corporation's proprietary rights to as great an extent as do the laws of Canada or the United States. There can be no assurance that the Corporation's competitors will not independently develop similar technology or that the Corporation's means of protecting its proprietary rights will be adequate, and consequently the Corporation's business, results of operations, liquidity and financial condition could be materially adversely affected.

The Corporation is not aware that any of its products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim infringement by the Corporation with respect to current or future products. Defense of such claims, with or without merit, could be time-consuming, result in costly litigation, cause product delivery delays or require the Corporation to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Corporation or at all, either of which could have a material adverse effect upon the Corporation's business, results of operations, liquidity and financial condition.

Contingencies Related to Litigation

In March of 2010, the Corporation was selected by a Federal Crown Corporation to provide certain business process functions. The applicable tender was subsequently cancelled, in part or in whole, because of allegations made by the incumbent contractor, Vangent Canada ("Vangent"). Vangent alleges that its confidential proprietary information was illegally passed to the Corporation by an employee of the Corporation who was previously employed by Vangent. Vangent has filed an action against the Corporation in which it seeks damages of \$2,500 for unlawful interference with economic interests, breach of confidence and inducing breach of contract. Vangent also seeks \$5,000 for aggravated, exemplary and/or punitive damages. The Corporation denies all of Vangent's allegations and has defended the action. The corporation has also commenced a counter claim seeking damages of \$10,000 against Vangent for unlawful interference with the Corporation's economic interests and for inducing a breach of contract. The Corporation also seeks \$5,000 for aggravated, exemplary and/or

punitive damages. Because the action is at an early stage, the likelihood of success of either the action or the counterclaim is difficult to assess. However, based on all information currently known, management is of the opinion that Vangent's claim is without merit. Management has incurred and allocated an allowance of a total of \$147 in 2010 for associated legal fees.

RISKS RELATED TO THE INDUSTRY

Intense Competition

The markets for the Corporation's products and services are intensely competitive and rapidly changing and a number of companies offer products and services similar to the Corporation's products and services and target the same customers as the Corporation. The Corporation believes its ability to compete depends upon many factors within and outside its control, including the timely development and introduction of new products and services, product enhancements, product functionality, performance, price, reliability, customer service and support, sales and marketing efforts, and introduction of new products and services by competitors.

Many of the Corporation's competitors and potential competitors are substantially larger than the Corporation and have greater name recognition, larger customer bases and significantly greater financial, technical, marketing, public relations, sales, distribution and other resources than the Corporation. As a result, they may be able to respond more quickly to new or emerging technologies and changes in customer requirements, or to devote greater resources to the development, promotion and sale of their products than the Corporation.

As competition increases, the prices that the Corporation charges for its products and services may decline. If the Corporation is not able to compete successfully, the Corporation's business, financial condition and operating results could be materially adversely affected.

Rapid Technological Change

The markets for the Corporation's products are characterized by rapid technological advances, evolving industry standards, changes in end-user requirements and frequent new product introductions and enhancements. The Corporation's future success will depend upon its ability to enhance its current products, and to develop and introduce new products that keep pace with technological developments, respond to evolving end-user requirements and achieve market acceptance.

The development of such new products or enhanced versions of existing products entails significant technological risks. There can be no assurance that the Corporation will be successful in marketing its existing products or be successful in developing or marketing new products or product enhancements, any of which could have a material adverse effect on the Corporation's business, results of operations and financial condition.

OFF-BALANCE SHEET FINANCING

The Corporation has undrawn letters of credit totaling \$200 with its bank that have been provided to customers as a performance guarantee. The Corporation has no other off-balance sheet financing arrangements.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions in the normal course of operations are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ended December 31, 2010, the Corporation leased its offices in Stonewood, West Virginia and Indiana, Pennsylvania from an officer of the Corporation. The amount paid was \$198, and was recorded as rent expense. The Corporation has an ongoing four year lease for both of the offices.

SUMMARY OF SHARE CAPITAL

Issued and Outstanding

Common shares	Number	Amount
Balance, December 31, 2009	42,216,782	\$24,110
Issued on exercise of stock options	69,998	49
Issued on redemption of deferred shares	147,776	57
Issued as payment of promissory note	330,000	198
Issued on private placement subscriptions	8,470,456	4559
Balance, Dec 31, 2010 and Mar 14, 2011	51,235,012	\$28,973

Options	Number	Weighted-average exercise price
Outstanding, December 31, 2009	139,327	\$0.54
Exercised (2010)	(69,998)	0.42
Forfeited (2010)	(59,329)	0.48
Outstanding, Dec 31, 2010 and Mar 14, 2011	10,000	\$0.60

Deferred Annual Bonus and Share Purchase Plan Shares	Number	Amount
Outstanding, December 31, 2009	697,189	\$283
Issued 2010	-	-
Redeemed 2010	(147,776)	(57)
Outstanding, Dec 31, 2010 and Mar 14, 2011	549,413	\$226

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for designing disclosure controls and internal controls over financial reporting, as defined in the National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"). Management has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other filings in accordance with Canadian GAAP.

In assessing the Corporation's disclosure controls and procedures (DC&P), management concluded that disclosure controls are not effective due to the material weakness in the Corporation's internal control over financial reporting (ICFR).

Management also concluded that the Corporation's ICFR are not effective due to the material weaknesses described below.

- Due to limited resources and number of staff, it is not feasible to achieve complete segregation of duties amongst its staff. This creates a risk that inaccurate recording of amounts could be made and not corrected on a timely basis. The result is that the Corporation is highly reliant on the performance of mitigating procedures and management oversight during its financial close process in order to ensure the financial statements present fairly in all material respects.
- Systems for internal control for businesses acquired by the Corporation in 2009 have been implemented and are now being refined. Management is in the process of refining the design of internal control over financial reporting to ensure the Corporation's standards are maintained.
- In-house expertise to deal with complex taxation, technical accounting and non-routine transactions is not sufficient. To mitigate this weakness, the Corporation engages external accounting firms and consultants to assist in advising on the reporting treatment of such transactions.

Management believes the documentation of internal controls is sufficient to provide reasonable assurance material errors in financial reporting and disclosures will be detected and prevented.

OUTLOOK & GUIDANCE

This Outlook and Guidance contains forward-looking statements which the Corporation does not intend, and does not assume any obligation, to update, except as required by law. The forward looking information and statements include:

- The current economic and financial crisis and its effect on the Corporation's client base business;
- The price of natural gas and its effect on capital spending and operating budgets of the Corporation's client base;
- The economic environment and its effect on the Corporation's government clients' expenditure plans;
- The demand for value added services that provide additional cost reduction or production optimization for the Corporation's Energy Services client base; and
- Management's assumptions regarding the sustainability of recurring revenue streams and the Corporation's expected continuing profitability in 2011.

The economic downturn materially affected the Corporation's client base during 2009 and 2010. Given the current levels of expenditure by government departments and government budgets for 2011, management believes that spending by the Corporation's government clients in Alberta will likely remain curtailed for the foreseeable future. Accordingly, management anticipates revenue from such clients to continue to remain at reduced levels at least for the remainder of 2011.

Although the Corporation has been able to diversify its government business outside of Alberta and outside the purely government sector, the Government of Alberta remains the Corporation's largest customer. Management anticipates that in order to organically grow, the Corporation will need to continue its expansion outside of Alberta and to tailor its offering to more specific business solutions. Accordingly, management anticipates continuing its investment in technology and processes to deliver national scope solutions cost effectively. Management believes that by streamlining and integrating key strengths from operations in Edmonton, Winnipeg and Toronto as part of each solution, the Corporation will be able to better service its client base. Management's success will be dependent upon a general improvement in the economy outside of Alberta and management's success in the integration of its acquired businesses and further identifying, securing and profitably supplying services to clients, other than the Government of Alberta. Even if management is successful in its execution of its strategy, management will be unable to attain the historic gross margin it had achieved in the past, which was due to economies of scale associated with its Government of Alberta focus.

During 2010, the Corporation experienced growth in its business in the North Eastern United States due to increased exploration activity in the Appalachian Basin. This increased activity is a result of recent exploration of shale gas in the Marcellus Formation. Management is of the opinion that activity in the Appalachian region has increased due to the economic advantages of gas production in an area with close proximity to the high demand gas markets along the East Coast of the United States. Gas production from the Marcellus Shale has not yet proven to be economically viable and as such, time will indicate the viability of continued exploration activity in this area. In the event gas production from the Marcellus Shale is not proven to be economically viable, the Corporation's current growth in the region will not be sustained.

The Corporation's gas measurement business in the Western Canadian Sedimentary Basin is subject to strong competitive forces in a mature basin, where new exploration has been limited over the past number of quarters. Management believes that its ongoing research and development will keep it competitive in the gas measurement business, but given current market conditions, continued revenue growth will be limited. Accordingly, management has diversified its business to take advantage of its market position to provide value added analytic tools to attain new areas of revenue growth. Success of management's plan will be dependent upon acceptance of the Corporation's revenue model for these new analytic tools, which is an added cost to gas producers skeptical of increased costs.

Management is of the opinion that discoveries of natural gas in shale formations in the United States such as Eagleford and Woodward in addition to Marcellus will keep natural gas supplies elevated in North America. Accordingly, Management anticipates gas producers will continue to invest in lower cost exploration and production regions as natural gas prices remain low. In anticipation of this continued trend, Management will pursue its strategic expansion goals in the United States in 2011 and 2012. Management's strategy is based upon the premise of continuing low gas prices and the investment of gas producers in lower cost, US based basins. There can be no definite assurance that Management will be successful in identifying and expanding into these basins, or whether these basins will be economically viable.

If the Corporation is successful in its organic expansion efforts, management expects a steady improvement in cash flow from operations and net income during 2011. Achievement of the Corporation's objectives are based on a number of assumptions including the general economic environment, management's ability to continue to streamline general and administrative expenses from acquired companies, and continued gas exploration and development activity in the north eastern United States. 40% to 50% of the Corporation's 2011 revenue is expected to be generated from the U.S.

A deterioration of the economic climate or the prevalence of uncertainty for a lengthy period of time may materially affect management's outlook, in which case management's profitability targets will become dependent upon the Corporation's ability to further expand its core offering and market reach—both organically and through acquisition, which may require a longer timeframe to achieve.

ACCOUNTING POLICIES AND ESTIMATES

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant areas requiring the use of estimates are the useful lives and impairment of customer relationships & contracts and the impairment of goodwill. Actual results could differ from these estimates.

Accounting Policies

The company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

On January 1, 2010, the Corporation early adopted the three new accounting standards issued in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests". Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". Sections 1601 and 1602 together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements. It is equivalent to the corresponding provisions of IAS-27, "Consolidated and Separate Financial Statements". The adoption of these standards did not have a material impact on the consolidated financial statements.

The remainder of the Corporation's accounting policies remains applicable.

Future Accounting Policies

In February 2008, the Accounting Standards Board ("AcSB") of the CICA confirmed the required changeover from Canadian GAAP to International Financial Reporting Standards ("IFRS") for publically traded corporations. The change to IFRS applies to interim and annual financial statements, including comparatives, for periods beginning on or after January 1, 2011.

The IFRS transition team, which consists of senior levels of the Corporation's management, reports regularly to executive management and the Audit Committee of the Board of Directors.

The transition to IFRS consists of three phases: diagnostic, design and implementation.

Early in 2009, the Corporation commenced with the diagnostic phase of its IFRS transition project, which has now been completed. The diagnostic phase included initial and detailed assessment to identify key areas of difference between Canadian GAAP and IFRS and the potential effects of IFRS to accounting and reporting processes, information systems, business processes and external disclosures. This assessment was to provide insight as to the most significant areas of difference applicable to the Corporation.

The four most significant areas of IFRS identified during the diagnostic phase that could potentially impact the Corporation were as follows:

- Revenue
- Property and equipment
- Customer relationships and contracts
- Goodwill and business combinations

The Corporation commenced the second phase of the transition later in 2009 and started researching and preparing position papers. These papers identify and outline the significant Canadian GAAP/IFRS differences, recommend IFRS accounting policies, and identify implementation choices/issues and first-time adoption considerations across all standards that may impact the financial statements.

Based upon this further research and analysis, the Corporation determined that it does not expect any change in its revenue recognition policies in relation to the adoption of IFRS. With regard to goodwill, property and equipment, and customer relationships and contracts, the potential impact was narrowed down to the area of impairment. The research and analysis also confirmed that accounting for business combinations was an area that would be impacted by the adoption of IFRS, but this would be mitigated through the early adoption of CICA 1582 *Business Combinations* in 2010.

At this point, drafts of the position papers have been prepared and most have been reviewed by management and provided to the Corporation's auditors for comment. Certain impacts of IFRS have been identified, but the complete impact on the Corporation's financial statements is not known or estimable. However, the following can be reported.

Contingent consideration - At the date of transition (January 1, 2010), the contingent consideration in relation to the acquisition of Southport Data Systems Inc. (Southport) meets the recognition requirements under IFRS and must be accrued. Based on the facts and circumstances at the date of transition, management's best estimate of the contingent consideration under IFRS would have been \$500. This amount will be recorded in the transition balance sheet with an offsetting charge to retained earnings. Since this amount will not be tax deductible, there is no tax impact to recognize. Any changes in the estimate of contingent consideration after the date of transition will flow through earnings. Under Canadian GAAP at the time of the Southport acquisition (prior to the adoption of CICA 1582), the contingent consideration would have been recognized when resolved as an additional cost of the business acquisition and allocated accordingly to the net assets acquired.

Impairment - There are many differences between IFRS and Canadian GAAP with regard to identifying, measuring, and recognizing impairment losses for property and equipment, customer relationships and contracts, and goodwill. The Corporation has developed a position paper addressing all of these differences, but has not yet quantified the impact, if any, on transition.

Other tentative accounting policy/transition decisions:

- As mentioned, the Corporation does not expect any changes in its revenue recognition policies in relation to the adoption of IFRS;
- The Corporation does not plan to apply the deemed cost exemption on transition for property & equipment and customer relationships & contracts;
- The Corporation plans to use the cost model (versus the revaluation model) on an ongoing basis under IFRS for property & equipment and customer relationships & contracts;
- The Corporation has early adopted CICA 1582 *Business Combinations*, Section 1601 *Consolidated Financial Statements* and Section 1602 *Non-Controlling Interests* to minimize any IFRS adjustments to comparative figures;
- The Corporation plans to apply the IFRS 1 exemption allowing application of IFRS 3 *Business Combinations* from the date of transition versus full retrospective application;
- The Corporation plans to apply the IFRS 1 exemption for equity-settled and cash-settled share based payment transactions, which is expected to result in no transition adjustments for share based payment transactions; and
- The Corporation plans to apply the IFRS 1 exemption for borrowing costs, which is expected to result in no transition adjustments for capitalization of borrowing costs.

The Corporation is also assessing the impact of IFRS on its internal controls over financial reporting and disclosure controls. These impacts fall under one of two categories:

- Changes required to processes and controls to meet ongoing IFRS requirements; and
- Changes required to deal specifically with the transition from Canadian GAAP to IFRS (e.g., changes to controls and processes related to preparation of position papers, preparation of opening transition balance sheet, restatement of Canadian GAAP numbers for comparative purposes, preparation of 2011 template disclosures, etc.).

The key steps outstanding for the implementation phase include the following:

- Finalization of position papers and the January 1, 2010 transition balance sheet under IFRS;
- Restatement of the 2010 quarterly Canadian GAAP financial statement amounts to IFRS (to be used as comparatives in 2011);
- Drafting of template disclosures for 2011 quarterly and annual IFRS financial statements; and
- Restatement of the 2010 annual Canadian GAAP financial statement amounts to IFRS (to be used as comparatives in 2011).

The implementation phase will culminate with the preparation of the 2011 quarterly and annual consolidated IFRS financial statements and MD&A disclosures.

The Corporation is committed to the education and training component of the IFRS conversion project. This process is underway, and the Corporation will continue to invest in employee and stakeholder education, training and communication.

A third party professional firm has been engaged to assist as required with the IFRS conversion project. In January 2011, the Corporation hired a senior financial reporting resource whose responsibilities include managing the remaining steps in the IFRS transition process.

The Corporation will continue to monitor any changes to IFRS, assess the impact of adopting IFRS, and will update its MD&A disclosures quarterly to report on the progress of its IFRS implementation.

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Additional information relating to the Corporation is available on SEDAR at www.sedar.com.