



CriticalControl Solutions Corp.

Management, Discussion & Analysis

June 30, 2011

This discussion and analysis of financial condition and results of operations of CriticalControl Solutions Corp. is prepared as at August 2, 2011, and should be read in conjunction with the unaudited condensed consolidated interim financial statements of CriticalControl Solutions Corp. and the notes thereto for the three and six months ended June 30, 2011 and with the audited consolidated financial statements of CriticalControl Solutions Corp. and the notes thereto for the year ended December 31, 2010.

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

QUARTERLY HIGHLIGHTS

Revenue

- Revenue decreased 2% to \$12,543 in Q2 2011 from \$12,796 in Q2 2010. Year-to-date revenue decreased 4% from \$25,838 in 2010 to \$24,764 in 2011.
- Revenue from the Service Bureau Operations increased by 11%, from \$4,835 in Q2 2010 to \$5,348 in Q2 2011. Year-to-date revenue increased by 10% from \$9,924 in 2010 to \$10,963 in 2011. The revenue increase is primarily reflective of a gradual recovery from recessionary pressures in 2010.
- Revenue from the Canadian Energy Services business increased by 4% from \$2,693 in Q2 2010 to \$2,789 in Q2 2011. Year-to-date revenue increased by 2% from \$5,649 in 2010 to \$5,751 in 2011.
- Revenue from the US Energy Services business declined by 16% to \$4,406 in Q2 2011 from \$5,268 in Q2 2010. Year-to-date revenue decreased by 22% from \$10,265 in 2010 to \$8,050 in 2011. The revenue decrease relates primarily to a decline in non-recurring fabrication and assembly of gas measurement and related equipment.

Gross margin ⁽¹⁾ percentage

- Gross margin percentage decreased to 35.3% in Q2 2011 from 40.5% in Q2 2010. Year-to-date margin percentage decreased to 36.3% in 2011 from 39.1% in 2010.
- Service Bureau Operations gross margin percentage increased to 32.8% in Q2 2011 from 30.8% in Q2 2010 (31.7% year-to-date in 2011 from 28.3% in 2010) resulting from streamlined operations and improved economies of scale.
- Energy Services gross margin percentage decreased to 37.1% in Q2 2011 from 46.5% in Q2 2010 (40.0% year-to-date in 2011 from 45.8% in 2010). The primary drivers of the reduced gross margin percentages were the costs associated with transition in the US to accommodate fabrication of equipment for complex gas measurement infrastructure, the loss in economies of scale in the US due to reduced revenue, and the increased costs in the US associated with the outsourcing of the fabrication for certain pieces of equipment.

Selling and administrative expenses

- Selling and administrative expenses increased 9% from \$3,389 in Q2 2010 to \$3,701 in Q2 2011. Year-to-date selling and administrative expenses increased 2% from \$6,972 in 2010 to \$7,141 in 2011.
- Year-to-date selling and administrative expenses for the Service Bureau Operations decreased by 12% from 2010 to 2011 primarily due to reduced costs related to the streamlining of overhead costs for companies acquired in 2009 as part of the integration of business units.
- Year-to-date selling and administrative expenses for the Energy Services business increased by 17% primarily related to the acquisition of TSM and the additional costs associated with the office in Girard, Ohio.
- Year-to-date selling and administrative expenses for Corporate increased by 9%, which was primarily attributable to the changeover to IFRS and actual audit fees in excess of the estimate accrued in 2010.

Earnings

- Net earnings decreased by \$848 for the quarter to \$227 and decreased \$844 year-to-date to \$741.
- Earnings before income tax decreased by \$1,086 for the quarter to \$345, and decreased \$1,090 year-to-date to \$1,052. Interest and unwinding of discounts of \$126 (year-to-date - \$242) and depreciation and amortization of \$653 (year-to-date - \$1,151) were charged to earnings during the quarter.
- Improved profitability in the Service Bureau Operations was offset by the impact of the above mentioned reduced revenue from the US Energy Services business.

Strong balance sheet

- Total long-term debt (inclusive of current portion) decreased by \$2,395 or 24% from June 30, 2010 to June 30, 2011, despite an additional \$1,269 of debt incurred related to 2010 acquisitions.

Launch of ProStream

- The Corporation launched the first phase of its data consolidation development effort through the introduction of ProStream. All of the Corporation's software and data are now accessed through a unified website in the US and Canada through www.prostream.com.
- The launch of ProStream in the US will enable the Corporation to provide digital chart integration services to all its existing and potential US customers, regardless of where they operate, through unified infrastructure.

Continued US expansion

- On April 1, 2011, the Corporation acquired certain assets of Gas Measurement and Integration of Buckhannon, West Virginia ("GMI") for US\$400 cash and an US\$800 promissory note through its wholly owned US subsidiary, GAS Analytical Service, Inc. ("Gas"). The business of GMI acquired by CriticalControl includes the provision of gas measurement products and services, inclusive of gas chart integration, to clients in the Appalachian Basin in North Eastern US.

⁽¹⁾ See Non-IFRS Measures section below.

NON-IFRS MEASURES

Throughout this document, reference is made to "gross margin" and "working capital", which are both non-IFRS measures. Management believes that gross margin, defined as revenue less cost of revenue, is a useful supplemental measure of operations. Management believes that working capital, defined as current assets less current liabilities, is an indicator of the Corporation's liquidity and its ability to meet its current obligations. Readers are cautioned that these non-IFRS measures may not be comparable to similar measures used by other companies. Readers are also cautioned not to view these non-IFRS financial measures as an alternative to financial measures calculated in accordance with International Financial Reporting Standards ("IFRSs").

SELECTED QUARTERLY INFORMATION

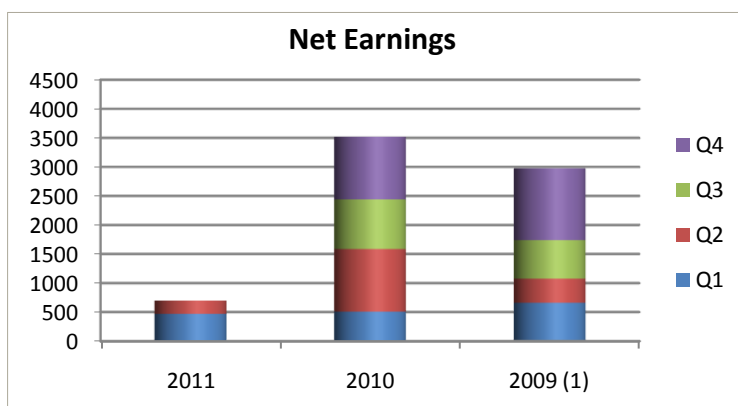
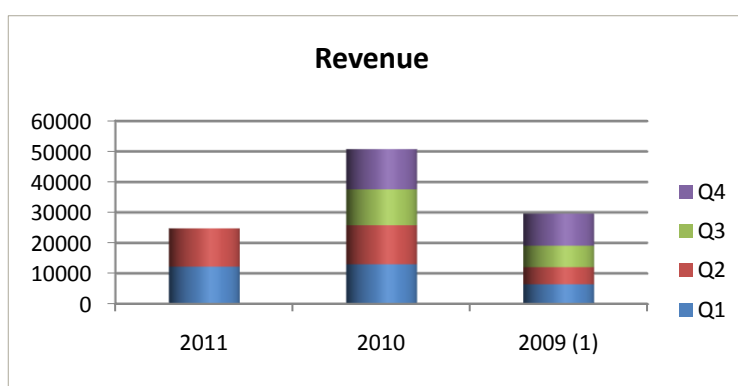
	Three months ended June 30, 2011	Three months ended June 30, 2010
Revenue	12,543	12,796
Gross margin ⁽¹⁾	4,425	5,187
Earnings before income tax	345	1,431
Net earnings	227	1,075
Net earnings per share – basic	0.00	0.03
Finance costs	165	39
Current assets	16,314	15,009
Current liabilities	11,752	9,770
Working capital ⁽¹⁾	4,562	5,239
Total assets	44,497	40,336
Total long-term debt (includes current portion)	7,733	10,128
Total equity	24,886	20,153

⁽¹⁾ See Non-IFRS Measures section above.

SUMMARY OF QUARTERLY RESULTS

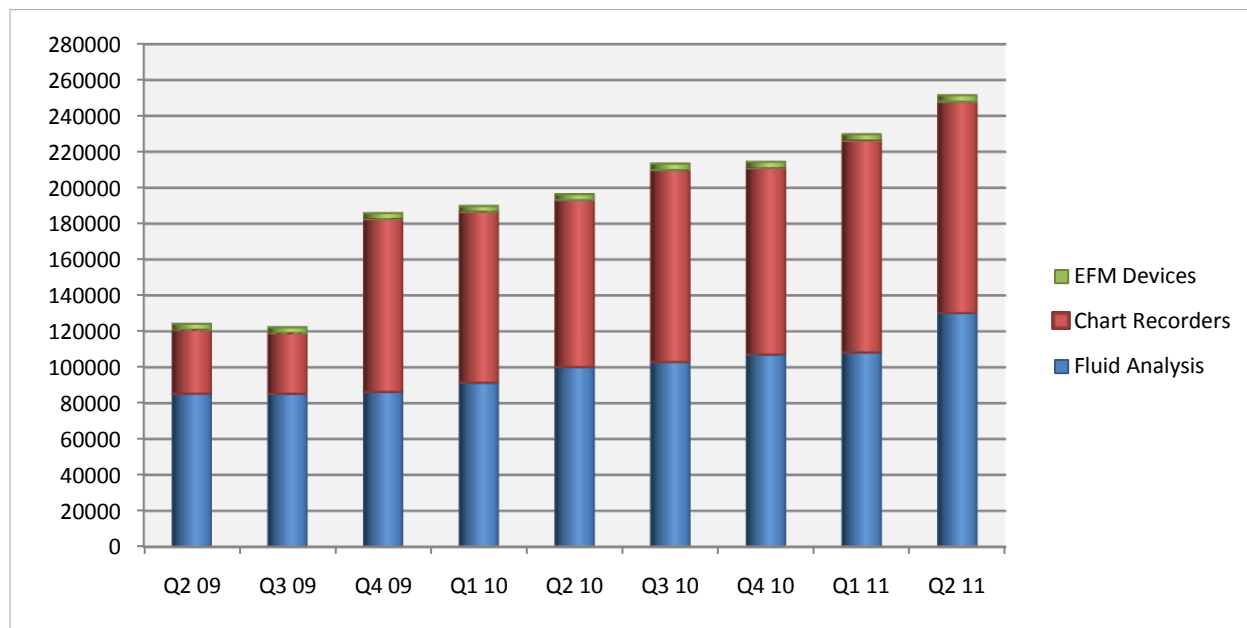
The following table presents certain financial information on a consolidated basis for the last eight quarters.

	Two Year Summary By Quarter							
	2011		2010				2009 ⁽¹⁾	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	12,543	12,221	13,214	11,669	12,796	13,042	10,512	7,057
Earnings before income tax	345	707	92	1,157	1,431	711	1,082	665
Net earnings	227	514	1,080	853	1,075	510	1,233	665
Net earnings per share - basic	0.00	0.01	0.02	0.02	0.03	0.01	0.03	0.02



⁽¹⁾ The 2009 financial information was prepared in accordance with previous Canadian GAAP and has not been restated to comply with IFRSs.

Serviced Measurement Points



CORPORATE PROFILE

CriticalControl Solutions Corp. (the "Corporation" or "CriticalControl") delivers outsourced solutions for information intensive and document intensive transactional processes. Through the implementation of technology, workflow and economies of scale the Corporation is able to provide highly secure control over sensitive information and processes in a cost effective manner.

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 business provides the following services to its upstream and midstream oil and gas clients:

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 US; and
5. Fabrication and assembly of gas measurement and related equipment to the Corporation's customer base primarily in the North Eastern US.

RESULTS OF OPERATIONS

Revenue

	Three Months Ended, June 30			Six Months Ended, June 30		
	2011	2010	Change	2011	2010	Change
Revenue						
Service Bureau Operations	5,348	4,835	11%	10,963	9,924	10%
Energy Services	7,195	7,961	-10%	13,801	15,914	-13%
	12,543	12,796	-2%	24,764	25,838	-4%

Service Bureau Operations

Service Bureau Operations revenue compared to 2010 increased by \$513 for the three months ended June 30, 2011 and by \$1,039 year-to-date. This increase is primarily reflective of a gradual recovery from recessionary pressures in 2010.

Energy Services

Second quarter revenue from the Canadian Energy Services business increased by \$95 (year-to-date - \$102) when compared to 2010. 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 \$224 for the quarter and \$465 year-to-date from the acquisitions of QM4 Engineering in May 2010 and Visible Data Group in October 2010.

Changes in revenue from the Corporation's US Energy Services business are summarized below:

	US Energy Services Revenue	
	Q2	Year-to-Date
June 30, 2010 total US revenue	5,269	10,266
Acquisition of TSM (November 2010)	500	1,030
Acquisition of GMI (April 2011)	152	152
Impact of US exchange rate	(270)	(493)
Decline in revenue	(1,245)	(2,905)
June 30, 2011 total US revenue	4,406	8,050

The decline in revenue above was primarily related to non-recurring fabrication and assembly of gas measurement and related equipment. The following table summarizes this revenue.

	Q2		Year-to-Date	
	2011	2010	2011	2010
US fabrication, assembly and equipment revenue	2,495	3,863	4,457	7,507
Percentage of US revenue	57%	73%	55%	73%

In 2010, a substantial portion of the fabrication, assembly and equipment revenue was related to conventional wells traditionally drilled by the Corporation's historic client base. Many of these conventional wells used traditional dry flow meters (chart recorders), the bulk of which were provided by the Corporation on a refurbished basis.

During 2010, several new producers entered into the Marcellus region and drilling shifted from conventional wells to the exploration and development of shale plays. The demand on existing infrastructure and available resources resulted in a marked decline in conventional wells in the first half of 2011 compared to the first half of 2010. As a result, revenue from the Corporation's fabrication business fell sharply in the first half of 2011 due to the shift in demand in conventional gas measurement infrastructure in favour of the more complex gas measurement infrastructure used to measure shale gas.

Please see "Outlook and Guidance" for management's plan on addressing this shift.

Recurring revenue from the Corporation's US Energy Services business increased in comparison to 2010 as summarized in the following table:

	US Recurring Revenue	
	Q2	Year-to-Date
June 30, 2010 recurring US revenue	1,406	2,759
Acquisition of TSM (November 2010)	403	825
Acquisition of GMI (April 2011)	152	152
Decrease in recurring revenue	(50)	(143)
June 30, 2011 recurring US revenue	1,911	3,593

The decrease in US recurring revenue was offset by the impact of the TSM and GMI acquisitions, resulting in a net increase of \$505 for the quarter (year-to-date \$834) when compared to 2010.

Cost of Revenue and Gross Margin ⁽¹⁾

	Three months ended June 30			Six months ended June 30		
	2011	2010	Change	2011	2010	Change
Cost of Revenue						
Service Bureau Operations	3,595	3,347	7.4%	7,486	7,116	5.2%
Energy Services	4,523	4,262	6.1%	8,282	8,629	-4.0%
	8,118	7,609	6.7%	15,768	15,745	0.1%
Gross margin ⁽¹⁾						
Service Bureau Operations	1,753	1,488	17.8%	3,477	2,808	23.8%
Energy Services	2,672	3,699	-27.8%	5,519	7,285	-24.2%
	4,425	5,187	-14.7%	8,996	10,093	-10.9%
Gross margin ⁽¹⁾ percentage						
Service Bureau Operations	32.8%	30.8%	2.0%	31.7%	28.3%	3.4%
Energy Services	37.1%	46.5%	-9.4%	40.0%	45.8%	-5.8%
	35.3%	40.5%	-5.2%	36.3%	39.1%	-2.8%

⁽¹⁾ See Non-IFRS Measures section on page 2.

Service Bureau Operations

Gross margin in the Corporation's Service Bureau Operations improved for the three months and six months ended June 30, 2011 compared to the same periods in 2010. The increase is primarily related to the improved economies of scale from increased revenue.

Energy Services

	Three months ended June 30			Six months ended June 30		
	2011	2010	Change	2011	2010	Change
Canadian Energy Services - gross margins	61.6%	66.5%	-4.9%	61.4%	64.3%	-2.9%
US Energy Services - gross margins	21.7%	36.2%	-14.5%	24.7%	35.6%	-10.9%
	37.1%	46.5%	-9.4%	40.0%	45.8%	-5.8%

High margins in the Canadian Energy Services business were offset by lower margins in the US, where field services and the sale and installation of gas measurement meters and related equipment have a significant impact. The Canadian Energy Services business does not engage in these sales and service activities but rather focuses on other high margin recurring revenue streams, being the first three set out in the Corporate Profile section of this document under Energy Services.

Gross margins for the Canadian Energy Services business were lower for the quarter and year-to-date compared to 2010 primarily due to a reduction in high margin recurring chart revenue and an increase in lower margin hardware revenue.

In the US, management is transitioning its business in the Marcellus region of the Appalachian Basin in response to the shift from predominantly conventional drilling in 2010 to drilling associated with the development of the Marcellus shale

formation. This transition consists of the ramp up of field service capability and the expansion of the Corporation's fabrication facility in Indiana, Pennsylvania.

As noted in a previous section, revenue from the Corporation's fabrication business fell sharply in the first half of 2011 due to the shift in demand in conventional gas measurement infrastructure in favour of the more complex gas measurement infrastructure used to measure shale gas. Whereas the Corporation was able to sustain higher margins in 2010 due to the economies of scale in the fabrication of conventional infrastructure, these economies of scale need to be rebuilt for the infrastructure currently in demand. Until the completion of the Corporation's facility expansion and the ramp up in capability, the Corporation is meeting its current demand for complex gas measurement infrastructure by outsourcing the fabrication of larger pieces of equipment. Costs associated with the transition, the loss in economies of scale and the outsourced fabrication of certain pieces have contributed to the decline in margins for the Corporation's US Energy Services business from 36.2% in the second quarter of 2010 to 21.7% in second quarter of 2011.

Operating Expenses

	Service Bureau							
	Operations		Energy Services		Corporate		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Three months ended June 30								
Selling & administrative expenses	1,459	1,349	1,195	1,019	1,047	1,021	3,701	3,389
Research and development expenses	-	-	319	328	-	-	319	328
Finance costs	5	-	1	-	159	39	165	39
Other operating costs	(120)	-	-	-	15	-	(105)	-
	1,344	1,349	1,515	1,347	1,221	1,060	4,080	3,756

	Service Bureau							
	Operations		Energy Services		Corporate		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Six months ended June 30								
Selling & administrative expenses	2,579	2,924	2,323	1,993	2,239	2,055	7,141	6,972
Research and development expenses	-	-	614	631	-	-	614	631
Finance costs	10	-	2	-	318	348	330	348
Other operating costs	(120)	-	-	-	(21)	-	(141)	-
	2,469	2,924	2,939	2,624	2,536	2,403	7,944	7,951

Selling and Administrative Expenses

Selling and administrative expenses attributed to Service Bureau Operations increased by \$110 for the quarter in relation to 2010 primarily due to severance costs and lease operating cost adjustments from prior years. On a year-to-date basis, these amounts have been offset by reduced costs related to the streamlining of overhead costs for the companies acquired in 2009 as part of the integration of the business units. The 2010 amounts include \$331 of integration costs.

The increased selling and administrative expenses attributed to Energy Services for the quarter and year-to-date when compared to 2010 primarily relate to the acquisition of TSM and the additional costs associated with the office in Girard, Ohio. These costs amounted to approximately \$110 for the quarter and \$220 year-to-date. There were also increased costs related to a new sales and marketing position in November 2010 for Calgary and new operations and finance positions in June 2011 for the US. These costs amounted to approximately \$65 for the quarter and \$110 year-to-date.

Corporate selling and administrative expenses remained relatively flat for the quarter in relation to 2010, with increased costs of \$200 related to finance salaries, controls documentation, IFRS and IT being offset by reductions in other expenses. The \$184 increase in year-to-date costs is primarily attributable to costs in the first quarter related to the changeover to IFRSs and to actual audit fees in excess of the estimate accrued in 2010.

Research and Development Expenses

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's research and development expenses were consistent for the three months and six months ended June 30, 2011 when compared to the same periods in 2010.

Finance Costs

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Interest and bank charges	119	142	223	281
Net foreign exchange loss	15	(161)	46	(159)
Unwind of discounts	31	56	61	56
Impairment loss on accounts receivable	-	2	-	170
	165	39	330	348

The decline in interest costs from 2010 to 2011 is consistent with the decline in long-term debt.

The exchange loss for the three and six months ended June 30, 2011 is linked primarily to intercompany advances of a current nature between the Corporation and its US operations and the impact of the declining value of the US dollar in relation to the Canadian dollar.

The unwind of discounts is comprised of imputed interest on discounted liabilities. The expense for the second quarter of 2010 included a catch-up entry for the first quarter.

The impairment loss for the six months ended June 30, 2010 included a charge of \$168 related to a contractual relationship entered into by an acquired company prior to the acquisition date.

Other Operating Costs

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Reduction in estimated onerous lease obligation	(120)	-	(120)	-
Loss (gain) on disposal of property & equipment	15	-	(21)	-
	(105)	-	(141)	-

As part of the second quarter financial reporting process, management reviewed the provisions for onerous leases and determined that a reduction was appropriate, resulting in a \$120 income inclusion. The Corporation is in the process of finalizing a sublease arrangement on terms that are more favourable than expected when the original estimate was made for the onerous lease obligation.

Depreciation and Amortization

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Depreciation of property & equipment	213	198	404	379
Amortization of intangible assets	440	447	747	945
	653	645	1,151	1,324

Depreciation of property & equipment for the quarter and year-to-date in relation to 2010 is consistent with the increasing asset base.

The decrease in amortization of intangible assets for the quarter and year-to-date when compared to 2010 is attributable primarily to the following:

- Software that was fully amortized by the end of 2010 and was thus not amortized in 2011.
- Intangible assets acquired through business combinations that were amortized based on preliminary purchase price allocations in 2010 that were subsequently adjusted downwards.

The impact of these amortization reductions in 2011 was much more significant in the first quarter and more than offset the increased amortization related to acquisitions in 2010 and 2011.

Depreciation and amortization has been allocated to the following functional expenses:

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Cost of revenue	158	106	297	273
Selling and administrative expenses	495	539	854	1,051
	653	645	1,151	1,324

Other comprehensive loss/income

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Other comprehensive loss related to foreign currency translation adjustments	(43)	(107)	(156)	(43)

The 2011 foreign currency loss on translation of the Corporation's US operations is attributable to the weakening US dollar in relation to the Canadian dollar and is linked to the Corporation's net investment in the US operations.

OPERATING CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

The following table illustrates how the various components of operating cash flow impact on net cash flows.

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Net earnings	227	1075	741	1,585
Adjustments				
Non-cash amounts (excluding income tax and interest)	629	599	1,046	1,233
Income tax	27	(227)	(215)	(259)
Interest	35	114	65	114
Change in non cash working capital ⁽¹⁾	(683)	(1,262)	(1,357)	(2,336)
Net cash from operating activities	235	299	280	337

⁽¹⁾ See Non-IFRS Measures section on page 2.

Working capital ⁽¹⁾ at June 30, 2011 was \$4,562 compared to \$5,239 at June 30, 2010, a decrease of \$677. The decrease in working capital is broken down as follows:

	2011	2010	Increase (decrease) in working capital
Cash	457	631	(174)
Accounts receivable	8,862	9,060	(198)
Unbilled revenue	568	241	327
Inventory	4,412	3,077	1,335
Prepaid expenses	2,015	2,000	15
	16,314	15,009	1,305
Operating line of credit	1,740	89	(1,651)
Accounts payable and accrued liabilities	4,426	4,334	(92)
Provisions	193	0	(193)
Unearned revenue	2,441	1,978	(463)
Current portion of long-term debt	2,771	3,209	438
Current portion of deferred lease inducement	181	160	(21)
	11,752	9,770	(1,982)
Working capital	4,562	5,239	(677)

⁽¹⁾ See Non-IFRS Measures section on page 2.

The following table shows the Corporation's financial liabilities/commitments and due dates as of June 30, 2011, inclusive of operating leases:

	2011	2012	2013	2014	2015	Beyond 2015	Total
Operating line of credit	1,740	-	-	-	-	-	1,740
Accounts payable and accrued liabilities	4,426	-	-	-	-	-	4,426
Provisions	96	106	107	93	195	190	787
Long term debt	1,322	3,254	1,733	1,424	-	-	7,733
Commitments	612	1,006	929	861	599	1,069	5,076
Total	8,196	4,366	2,769	2,378	794	1,259	19,762

As a means to optimizing security, the Corporation is considering alternatives for refinancing US\$3,750 of the promissory note issued in relation to the acquisition of Gas Analytical Service, Inc. The Corporation arranged term financing with its bank as an interim step in July 2011 to fund the US\$1,125 payment due on August 1, 2011. The term loan is repayable in 12 equal monthly installments starting on August 31, 2011. The remaining US\$2,625 of the US\$3,750 being considered for refinancing on a term basis is due in 2012.

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.

Pursuant to the 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. This threshold is expected to be met in August 2011.

At June 30, 2011, the Corporation had \$457 of cash on hand and access to \$1,931 of its operating facility to fund its ongoing working capital requirements for 2011. In the event of a material negative 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.

FINANCIAL INSTRUMENTS

Fair Value

As at June 30, 2011, the estimated fair values of cash, accounts receivable, operating line of credit, long-term debt, accounts payable and accrued liabilities, and provisions approximated their carrying values.

Credit and Concentration Risk

For the quarter ended June 30, 2011 the Corporation derived approximately 15% (2010 – 12%) of its total revenue from the Government of Alberta. As at June 30, 2011, 10% (2010 – 7%) 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 the credit worthiness 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 quarter ended June 30, 2011 an approximate impact on net earnings of \$5. The Corporation does not currently hold any financial instruments to mitigate its interest rate risk. Most of the Corporation's long term debt bears interest at fixed rates, so the impact of interest rate changes is not significant.

Foreign Exchange Rate Risk

The Corporation has a significant US subsidiary. 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 US dollar relative to the Canadian dollar could have a significant 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 the exchange rate would have had an approximate impact on net earnings of \$20 and other comprehensive income of \$54, for a total of \$74 for the quarter ended June 30, 2011. 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.

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 recurring revenue attributable to business process outsourcing versus non-recurring hardware and fabrication, 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 number of 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, financial condition and liquidity.

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 outsourced business processes that are intrinsically tied to the Corporation's proprietary software and other intellectual property. The Corporation generally enters into confidentiality agreements with clients 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 may attempt 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 US. 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

The Corporation's press release of September 28, 2010 advised that its subsidiary, CriticalControl Solutions Inc. had been named as a defendant in a lawsuit seeking damages of \$7.5 Million. The lawsuit, related countersuit and cross claim have been

dismissed, on a without costs basis, and each party has executed full release of the other regarding the allegations contained therein.

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, liquidity 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, financial condition and liquidity.

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 also has commitments in relation to operating leases as disclosed in the Operating Cash Flows, Liquidity and Capital Resources section. In accordance with IFRS, these obligations are not included in the Corporation's balance sheet. 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 quarter ended June 30, 2011, the Corporation leased its offices in Stonewood, West Virginia and Indiana, Pennsylvania from an officer of the Corporation. The amount paid was \$38 (2010 - \$41) and was recorded as rent expense. Both leases expire in October 2014.

SUMMARY OF SHARE CAPITAL

Issued and Outstanding

Common shares	Number	Amount
Balance December 31, 2010 and June 30 and August 2, 2011	51,235,012	\$28,973

Options	Number	Weighted-average exercise price
Outstanding December 31, 2010 and June 30 and August 2, 2011	10,000	\$0.60

Deferred Annual Bonus and Share Purchase Plan Shares	Number	Amount
Outstanding December 31, 2010	549,413	\$226
Outstanding June 30 and August 2, 2011	699,413	\$317
Vested June 30 and August 2, 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 (“ICFR”), as defined in 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 IFRSs.

In assessing the Corporation’s disclosure controls and procedures (DC&P), management concluded that disclosure controls are not effective due to the material weaknesses 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 in the US 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 always sufficient. To mitigate this weakness, the Corporation engages external accounting firms and consultants to assist in advising on the reporting treatment of such transactions.

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 climate 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 effect of the economy and the price of oil and gas 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 Corporation's Service Bureau Operations has expanded in early 2011 through strategic penetration of certain key government and national clients. Continued expansion is dependent upon the continued success of the Corporation's strategy and continued strengthening of the general economy. Although management is optimistic in this regard, it will continue to be vigilant in its integration efforts to consolidate its acquired operations to remain both competitive and profitable.

During 2010, several new producers entered into the Corporation's market in the North Eastern United States and drilling shifted from conventional wells to the exploration and development of shale plays. The demand on existing infrastructure and available resources resulted in a marked decline in conventional wells in the first half of 2011 over 2010.

Management is transitioning its business in the Marcellus region of the Appalachian Basin in response to the shift from predominantly conventional drilling in 2010 to drilling associated with the development of the Marcellus shale formation. This transition consists of the ramp up of field service capability and the expansion of the Corporation's fabrication facility in Indiana, Pennsylvania.

In the first half of 2010, revenue from the Corporation's fabrication business fell sharply due to the shift in demand in conventional gas measurement infrastructure in favour of the more complex gas measurement infrastructure used to measure shale gas. Whereas the Corporation was able to sustain higher margins in 2010 due to the economies of scale in the fabrication of conventional infrastructure, these economies of scale need to be rebuilt for the infrastructure currently in demand. Until the completion of the Corporation's facility expansion and the ramp up in capability, the Corporation is meeting its current demand for complex gas measurement infrastructure by outsourcing the fabrication of larger pieces of equipment. As a result of the costs associated with the transition, the loss in economies of scale and the outsourced fabrication of certain pieces, margins for the Corporation's fabrication have substantially declined.

While management expects its profitability from US operations to increase with its expansion of gas measurement related field services in different areas of Pennsylvania, and from the launch of ProStream and the associated integration of its chart integration infrastructure, margins related to fabrication will increase, but will continue to be impacted due to the increasingly competitive nature of the business compared to 2010.

Although the Corporation acquired GMI in April 2011, the office of GMI was not consolidated until Q3 2011. The associated cost synergies are expected to be realized in Q3 and Q4 of 2011.

As the Corporation completes the expansion of its Indiana facility and ramps up its capability in the fabrication of gas measurement infrastructure for non conventional wells in Q3 2011, management expects a steady increase in gross margins in Q4 2011 and early 2012. The increase in gross margins is dependent upon the successful completion of its expansion in Indiana and the ability to successfully generate economies of scale for the type of gas measurement infrastructure required for the measurement of shale gas, the success of which cannot be assured.

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 US such as Eagleford and Woodford in addition to Marcellus will keep natural gas supplies elevated in North America for the immediate future. 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 trend, management will pursue its strategic expansion goals in the US 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.

Given the 27% non cyclical increase in fabrication revenue between Q1 and Q2 of 2011 (from \$1,962 in Q1 to \$2,495 in Q2 2011), the further expected increase in Q3 and Q4 of 2011, the increase in margin resulting from being able to fabricate more assemblies within the organization due to the expansion of the Corporation's facilities in Indiana, the expansion of the Corporation's core business into other parts of Pennsylvania, the benefits of the consolidation of the GMI acquisition, and the cost benefits of conversion of all the Corporation's US gas chart integration clients onto ProChart and ProStream in Q4 2011, management is confident that its US Energy Services business will increase in profitability in Q4 and move past 2010 records in 2012. 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 US. 40% to 50% of the Corporation's 2011 revenue is expected to be generated from the US.

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

The Corporation's March 31, 2011 condensed consolidated interim financial statements ("interim financial statements") were the first IFRS interim financial statements prepared for part of the period covered by the first IFRS annual financial statements. Accordingly, they include certain disclosures that are not repeated in the June 30, 2011 interim financial statements. Reference to the March 31, 2011 interim financial statements are included in this section and in the June 30, 2011 interim financial statements.

Critical Accounting Estimates

Information regarding the use of estimates and judgments is disclosed in Note 2(d) to the June 30, 2011 interim financial statements and note 2(b) to the March 31, 2011 interim financial statements.

Changes in Accounting Policies

The June 30, 2011 interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These are the Corporation's second IFRS interim financial statements prepared for part of the period covered by the first IFRS annual financial statements, and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The June 30, 2011 interim financial statements do not include all of the information required for full annual financial statements.

Information about the significant accounting policies adopted under IFRSs is presented in Note 3 to the March 31, 2011 interim financial statements.

Information about first-time adoption exemptions applied is presented in Note 2(e) to the March 31, 2011 interim financial statements.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in Note 12 to the June 30, 2011 interim financial statements and Note 11 to the March 31, 2011 interim financial statements. These notes include certain reconciliations of equity, net earnings, and total comprehensive income for comparative periods and the date of transition as reported under Canadian GAAP to those reported under IFRSs.

Information about new IFRSs and interpretations not adopted is provided in Note 3 to the June 30, 2011 interim financial statements.

Other Impacts of IFRS Adoption

The Corporation has assessed the impact of IFRSs on its internal controls over financial reporting and disclosure controls as follows:

- With regard to processes and controls to meet ongoing accounting requirements under IFRSs, no material changes were identified.
- With regard to processes and controls to deal specifically with the transition from Canadian GAAP to IFRSs (e.g., 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 Corporation applied its existing control framework to the changeover process. All accounting policies and transitional financial position impacts were subject to review by senior management and the Audit Committee of the Board of Directors.

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

The Corporation continues to assess the impact of IFRSs on financial covenants, contracts and key ratios, but has not identified anything significant to date.

The Corporation also continues to review the impact of IFRSs on compensation arrangements, but nothing significant has been identified to date.

The transition project did not have a significant impact on the Corporation's information systems for the convergence periods. The Corporation does not expect significant changes in the post-convergence periods.

The post-implementation phase will involve continuous monitoring of changes to IFRSs in future periods. The Corporation has noted that the standard setting body that determines IFRSs has significant ongoing projects that could impact the accounting policies implemented by the Corporation under IFRSs.

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