



**CriticalControl Solutions Corp.**  
**Management, Discussion & Analysis**  
**December 31, 2009**

*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, 2009 prepared as of March 12, 2010. This report should be read in conjunction with the Corporation's December 31, 2009 audited consolidated financial statements and accompanying notes presented in accordance with Canadian generally accepted accounting principles ("GAAP").*

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

## CORPORATE DEVELOPMENTS

Revenue improved to \$29,631 for the twelve months ended December 31, 2009 compared to \$25,985 in the same period in 2008. Revenue from the Corporation's historic Government business based in Alberta dropped by \$2,302 (23%) due to economically induced spending reduction, but was offset by additional revenue of \$4,010 from the Corporation's aggressive diversification strategy which included the acquisition of BPO Management Services, Ltd. ("BPOMS"), completed on July 31, 2009, and Southport Data Systems Inc. ("Southport"), completed on October 1, 2009. Revenue associated with the Corporation's historic Energy business remained unchanged despite an economically induced decline in industry spending. Overall revenue from the Corporation's Energy business increased by 25% due to the Corporation's expansion into the United States through the acquisition of GAS Analytical Services, Inc. ("GAS") completed on November 1, 2009. Revenue was \$10,511 for the three months ended December 31, 2009 compared to \$7,037 for the same period in 2008.

Net income for the twelve months ended December 2009 amounted to \$3,024 compared to \$3,444 for the same period in 2008. The decline in net income was a direct result of the added sales and administrative costs associated with the acquisitions in the latter half of the year and an additional \$75 reserve taken on the Corporation's accounts receivable.

On February 11, 2009, the Corporation consolidated its common shares on a one (1) new for three (3) old share basis as approved by the Corporation's shareholders on November 26, 2008.

Also on February 11, 2009, the Corporation listed its shares on the Toronto Stock Exchange ("TSX") on a post consolidated basis and simultaneously delisted its shares from the TSX Venture Exchange.

On February 17, 2009, the Corporation issued 481,716 shares to Wellington Financial pursuant to the cashless exercise and cancellation of Wellington Financial's warrants to acquire 2,934,783 shares of the Corporation. Following the exercise and cancellation, the Corporation's outstanding shares increased by 1.17 per cent and its outstanding shares calculated on the assumption of the exercise or conversion of all convertible or exchangeable securities decreased by 5.26 per cent.

The Corporation purchased and cancelled 1,005,744 of its shares during the three months ended June 30, 2009 pursuant to a Normal Course Issuer Bid announced on May 19, 2009 to purchase for cancellation up to 2,788,457 common shares.

On July 29, 2009, the Corporation entered into a facility agreement for a secured revolving line of credit for up to \$5,000 to support the Corporation's working capital requirements with a Canadian Chartered Bank. The line bears interest at prime plus 1.25% payable monthly in arrears. This facility replaced the Corporation's former \$3,500 facility.

On July 31, 2009, the Corporation acquired 100% of the outstanding shares of BPOMS for \$1,000 inclusive of \$100 of cash paid and closing and transaction costs. BPOMS is a provider of imaging products and services, inclusive of business process outsource solutions based in Winnipeg and Toronto.

On October 1, 2009, the Corporation acquired 100% of the outstanding shares of Southport for \$1,828 which included \$1,500 paid on closing, \$300 due on October 1, 2010 and performance based contingent consideration of \$500 due on November 1, 2011. The purchase price was financed from cash on hand and CriticalControl's operating line. Southport is a provider of business process outsourcing solutions in the greater Toronto area, with key strengths in large scale imaging and data entry.

Effective November 1, 2009, the Corporation acquired 100% of the outstanding shares of GAS for US\$10,400 paid through cash and the issuance of a US\$9,000 note, bearing interest at 4% per annum, payable over a 5 year term. The cash portion of the purchase price was financed from cash on hand and CriticalControl's operating line. GAS' primary business includes the provision of gas measurement equipment and services, including gas chart integration services to over 500 active clients based in the Appalachian Basin in the Eastern United States.

In December, 2009 Wellington Financial exercised 1,416,666 warrants for a total gross proceeds to the Corporation of \$935.

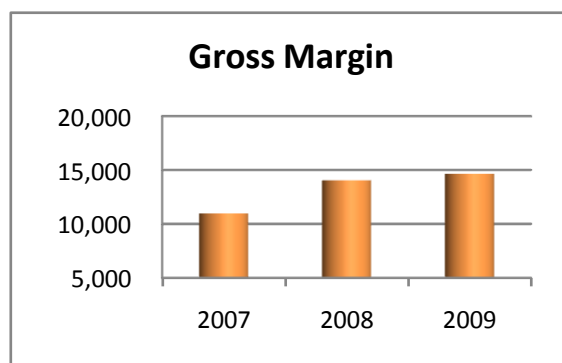
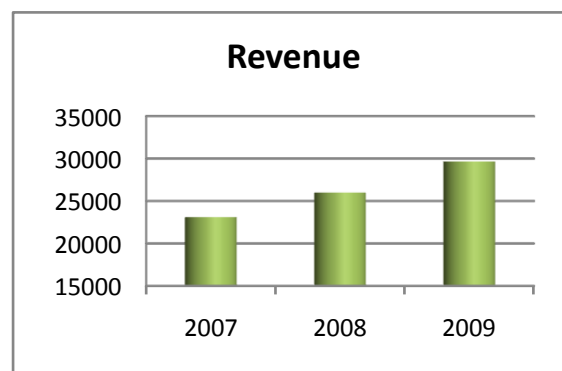
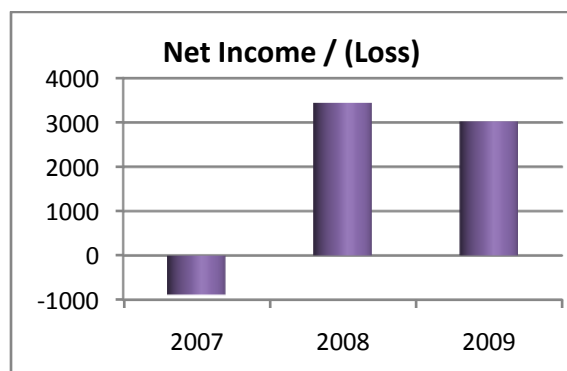
## SELECTED ANNUAL INFORMATION

	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Revenue	29,631	25,985	23,085
Gross Margin <sup>(2)(3)</sup>	14,656	14,044	10,969
Income from Continuing Operations	2,873	3,444	117
Loss from Discontinued Operations	-	-	(999)
Net Income / (Loss)	3,024	3,444	(882)
Net Income / (Loss) per share – basic	0.08	0.08	0.00
Amortization of Property & Equipment	1,148	1,021	987
Amortization of Customer Relationships & Contracts	799	570	527
Interest	101	85	975
Current Assets	13,476	6,328	5,045
Current Liabilities	11,427	3,944	3,861
Working capital <sup>(1)(2)</sup>	2,049	2,384	1,184
Total assets	40,429	19,439	17,819
Total long-term debt (includes current portion)	9,930	850	1,500
Total equity	17,605	14,095	11,698

(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.

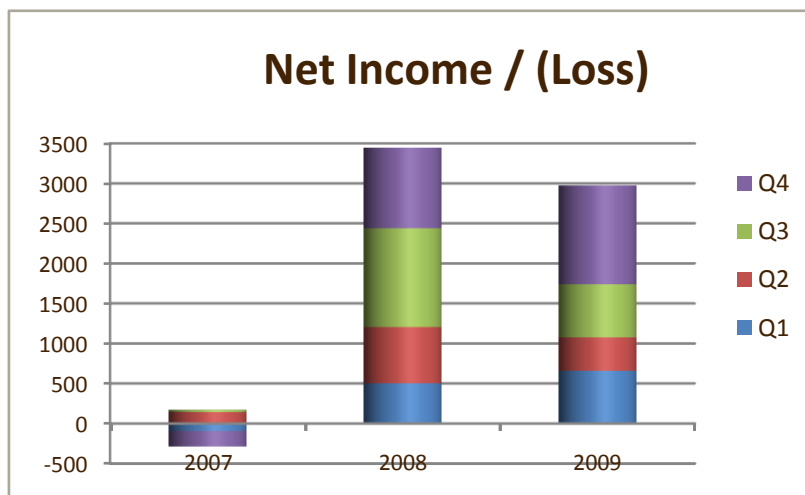
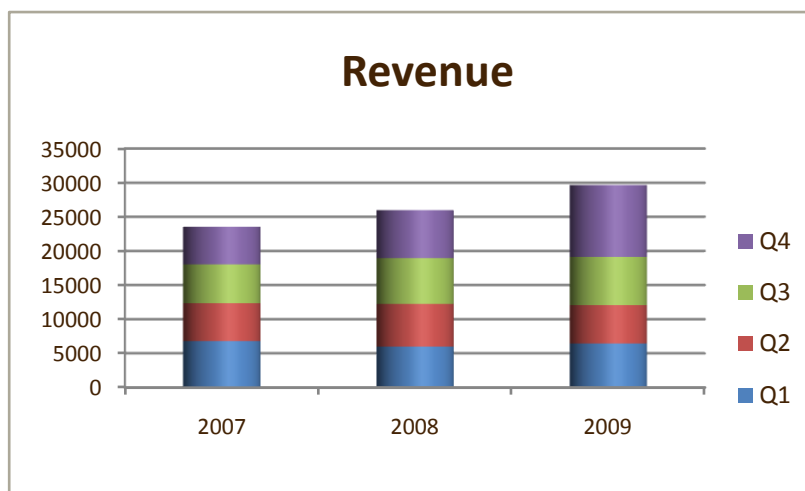
(3) Gross margin is a non-GAAP measurement that management believes is a useful supplemental measure of operations.



## 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							
	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	10,511	7,057	5,617	6,445	7,037	6,699	6,253	5,995
Net Income	1,233	665	466	660	1,006	1,232	702	504
Net income per share	0.03	0.02	0.01	0.02	0.02	0.03	0.02	0.01



## CORPORATE PROFILE

CriticalControl Solutions Corp. (the "Corporation" or "CriticalControl") enables its clients to increase operational performance through the better control of critical business information. CriticalControl seeks to empower clients with everything from strategies and tools, to outsourced solutions to manage information, wherever and in whatever form that information exists.

Its proprietary products are data management tools used in the critical business operations of clients in two main industries: Government and Energy.

## Government

The base of CriticalControl's solutions is the application and integration of information into the workflow of an organization, whatever form such information may exist in. The integration of CriticalControl's solutions into the business process of the client is dependent upon the client and the opportunity. CriticalControl's services include:

1. Development of a strategic plan to determine how information must be managed within an organization and how the information is required to be accessed and integrated into the workflow of such organization. This process typically results in an information management plan, the evaluation of a document management system and the need to develop a records management solution;
2. Professional services to implement a document management or records management solution;
3. Conversion of information from existing form to a form required under the information management plan. This entails the possible conversion of large scale repositories from paper or microfilm to digital media and/or microfilm as required or day forward conversion for the integration of all new information from communication or business into an information management system;
4. Outsourcing of business processes in their entirety; and
5. Imaging equipment sales and service.

In order to diversify from the Corporation's business concentrated in Alberta, the Corporation acquired BPOMS on July 31, 2009 and Southport on October 1, 2009 expanding the Corporation's imaging and document management business into other verticals including the financial sector and diversifying the Corporation's Government business geographically from Alberta to also include Manitoba and Ontario. All operations from BPOMS and Southport have been included in the Corporation's Government sector disclosure.

## Energy

The Corporation offers its upstream and midstream oil and gas clients with management tools and services to manage daily operations including their critical production measurement data with a suite of products and integrated services as follows:

- Measurement Operations – This offering includes the collection of production related data from non electronic devices and third party systems. This includes the imaging and analysis of circular charts from dry flow orifice meters (also known as chart recorders) using CriticalControl's proprietary ScanGas application and the capture of gas composition data from third party gas analysis laboratories using CriticalControl's proprietary ProTrend application.
- Measurement Solutions – This offering includes capture, validation and cleanup of a client's data related to plants and facilities. This includes services to map how each well is connecting in a client's gathering pipeline system using the Corporation's proprietary PipeWatch application. By integrating this information with production data captured in the Corporation's Measurement Operations services, risk assessment services can be provided through the Corporation's proprietary CorrosionWatch application.
- WebSCADA Solutions – This offering enables, through the use of an internet web browser, the monitoring and control of compressors and electronic flow computers in the field using the Corporation's proprietary NetFlow application. This includes the capture of production data from electronic devices.
- Equipment – This offering includes the sale, assembly and installation of third party orifice measurement devices and related equipment to the Corporation's customer base primarily in the North Eastern United States.

In Q4 of 2009, the Corporation successfully executed its expansion strategy to penetrate the gas measurement business in the United States through the acquisition of GAS on November 1, 2009. All operations of GAS have been included in the Corporation's Energy sector disclosure.

## RESULTS OF OPERATIONS

Comparison of the three and twelve months ended December 31, 2009 and 2008.

### Revenue

	Three months ended			Year ended		
	December 31,			December 31,		
	2009	2008	Change	2009	2008	Change
<b>Revenue</b>						
Government	4,501	3,522	28%	14,901	14,201	5%
Energy	6,010	3,515	71%	14,730	11,784	25%
	10,511	7,037	49%	29,631	25,985	14%

#### Government

During 2009, the Corporation's imaging service bureau revenue experienced a decline of 23% with revenue totaling \$7,741 for the twelve months ended December 31, 2009 compared to \$10,042 for the corresponding period in 2008. The reduction is attributed to a decrease in spending in capital projects and long term Enterprise Content Management projects not being pursued due to government budgetary restrictions. The Corporation's long term business process outsourcing business also had a decrease in revenue of \$1,006 for the twelve months ended December 31, 2009 when compared to the same period in 2008. The decline was due in part to the planned termination of a non-core business process which was repatriated to a government ministry and a significant decline in revenue associated with the registrations of real estate and motor vehicle transactions, which have been impacted by the current economic climate. This business unit decline was offset by revenue of \$4,010 from the acquisition of BPOMS and Southport for the period ended December 31, 2009.

During Q4 2009, revenue for business process outsourcing and the imaging service bureau amounted to \$811 and \$1,261 respectively compared to \$1,040 and \$2,482 for the same period in 2008. Revenue from acquisitions of BPOMS and Southport contributed \$2,429.

#### Energy

Growth in the Corporation's Energy sector is, in part, dependent on variations in industry drilling activity related to the price of natural gas.

The 25% growth in revenue from the Energy business between the year ended 2009 and 2008 was due to revenue of \$2,928 from the acquisition of GAS. In spite of the industry wide shut in of low production wells, particularly where capital expenditure was required to continue production, revenue for the Corporation's historic Energy business was \$11,801 compared to \$11,784 for the same period in 2008. Revenue from the sale of electronic flow measurement devices declined by \$868, which combined with the drop in revenue from shut in wells was mitigated by organic growth resulting from client expansion, increased recurring revenue and increased subscription revenue from ProTrend services. The business unit achieved \$540 of organic growth for the period ended December 31, 2009 in its ScanGas application from implementation of chart integration services for a senior oil and natural gas exploration, development and production company. Additionally \$589 of the revenue for the period ended December 31, 2009 was from the acquisitions of ScadaNet in July, 2008 and the assets of Western Corrosion Technologies in October 2008.

In Q4 of 2009, revenue from the Corporation's Measurement Solutions grew by \$363 or 86% to \$783 compared to \$420 in Q4, 2008 as a result the acquisition of Western Corrosion Technologies and an increase in recurring subscription revenue. The sale of third party measurement equipment to the Corporations clients in Western Canada decreased by \$522 consistent with reduced gas well completions and revenue from the Corporation's ScanGas based gas chart reading services declined by \$273 when compared to Q4 in 2008 consistent with reduced well counts in Western Canada. Growth in revenue of \$2,928 was realized from acquisition of GAS.

## Cost of Revenue and Gross Margin

Comparison of the three and twelve months ended December 31, 2009 and 2008

	Three months ended December 31,			Year ended December 31,		
	2009	2008	Change	2009	2008	Change
<b>Cost of Revenue</b>						
Government	3,090	1,839	68%	9,330	7,670	22%
Energy	2,700	1,378	96%	5,645	4,271	32%
	5,790	3,217	80%	14,975	11,941	25%
<b>Gross margin <sup>(1)</sup></b>						
Government	1,411	1,683	(16)%	5,571	6,531	(15)%
Energy	3,310	2,137	55%	9,085	7,513	21%
	4,721	3,820	24%	14,656	14,044	4%
<b>Gross margin percentage <sup>(1)</sup></b>						
Government	31%	48%	(35)%	37%	46%	(20)%
Energy	55%	61%	(10)%	62%	64%	(3)%
	46%	54%	(15)%	49%	54%	(9)%

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

### Government

Gross margin in the Corporation's Government business declined in Q4 and for the twelve months ended December 31, 2009 compared to the same period in 2008. As the Corporation diversified its operations geographically to replace economically driven revenue reduction in Alberta, the Corporation lost economies of scale and as such, despite an increase in revenue, gross margin declined. In addition, BPOMS' gross margin as a percentage of revenue was lower than the Corporation's historic Government business, as the acquired business included significant sales of third party imaging equipment.

### Energy

Gross margin as a percentage of revenue in the Corporation's historic Energy business declined slightly in Q4 and for the twelve months ended December 31, 2009, due to the Corporation's expansion into the United States and the acquisition of GAS whose historic gross margin is under 40% due to the competitive margins associated with the sale and installation of gas measurement meters and related equipment. Revenue from the sale of lower margin electronic flow measurement devices declined due to the economic environment, but was offset with higher margin recurring services revenue from the Corporations' organic growth in Canada.

## Operating Expenses

	Government		Energy		Corporate		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>For the year ended December 31,</b>								
Selling & administrative expenses	3,596	3,190	2,996	2,690	2,321	2,392	8,913	8,272
Research and development expenses	-	-	750	665	-	-	750	665
Amortization of property & equipment	336	251	807	764	5	6	1,148	1,021
Amortization of customer contracts	370	212	429	358	-	-	799	570
Gain on sale of property and equipment	-	-	-	-	-	(55)	-	(55)
Interest and other expenses	-	-	-	-	173	127	173	127
	4,302	3,653	4,982	4,477	2,499	2,470	11,783	10,600

## **Selling and Administrative Expenses**

Selling and administrative expenses attributed to the Corporation's Government sector increased for the year ended December 31, 2009 compared to the same period last year inspite of a one time benefit of \$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 increase was due to the additional selling and administrative costs of \$1,224 incurred by the addition of offices in Winnipeg and Toronto associated with the acquisition of BPOMS and Southport. The Corporation is in the process of reviewing and streamlining overhead costs of the acquired companies as part of the integration of the business units within the current administrative structure. During Q4 2009 and Q1 2010, the Corporation incurred costs for integration of its acquired businesses and downsizing of its historic Alberta based government business which will not be incurred after Q1 2010. Included in 2009 general and administrative costs are \$494 of expenses which will not be incurred subsequent to Q1 2010, due to changes already completed by management.

Selling and administrative expenses attributed to the Corporation's Energy sector increased for the year ended December 31, 2009 compared to the same periods last year due to the additional selling and administrative costs of \$486 incurred by the addition of offices in Stonewood, WV and Indiana, PA associated with the acquisition of GAS.

Selling and administrative expenses attributed to Corporate overhead decreased marginally by 5% for the year ended December 31, 2009, due to general streamlining of expenses, and in spite of certain onetime costs associated with the listing of the Corporation's shares on the Toronto Stock Exchange in the first quarter of 2009.

## **Research and Development**

The Corporation continued with its development project, ProStream, to integrate the databases associated with its different applications in the Energy sector, all costs of which are expensed in the period in which they are incurred. This project will consolidate various databases into a single repository to reduce duplicate data, facilitating reduced administrative costs, increased data integrity and help leverage essential production data to empower clients to make informed decisions related to their operations.

## **Interest and Other Expenses**

The Corporation retired its long term debt during the first quarter of 2009. Interest cost savings on the retirement of the long term debt for the year ended December 31, 2009 when compared to the same period in 2008 amounted to \$63, offset by additional interest of \$16 on the operating line of credit and \$63 on the promissory note issued on acquisition of GAS. Loss on foreign exchange was an additional \$56 for the year ended December 31, 2009 when compared to the same period in 2008.

## **Net Income**

The Corporation's net income for the year ended December 31, 2009 decreased by \$420 compared to the same period in 2008 due primarily to the decline in year over year revenue in the imaging service bureau and outsourcing sectors and additional costs related to acquisition of BPOMS and Southport, offset in part, by an increase in revenue and profitability from the Corporation's Energy sector business, including the acquisition of GAS, for the year ended December 31, 2009.

## **LIQUIDITY AND CAPITAL RESOURCES**

Working capital for the year ended December 31, 2009 was \$2,049 compared \$2,384 for the same period in 2008, a decline of \$335 (14%). Positive cash flow from the Corporation's ongoing operations contributed to the Corporation's working capital improvement of \$3,865 for the year ended December 31, 2009, offset by \$4,200 of working capital used in the acquisitions of BPOMS, Southport and GAS.

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

	Balance 2009	2010	2011	2012	Beyond 2012
Operating line of credit	2,698	2,698	-	-	-
Accounts payable and accrued liabilities	4,628	4,628	-	-	-
Long term liabilities	68	68	-	-	-
Long term debt	9,930	1,610	2,433	2,747	3,140
Commitments	8,179	1,526	1,435	1,149	4,069
Total	25,503	10,530	3,868	3,896	7,209

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 2010 budget for capital expenditures, not inclusive of any amounts which may be used to fund potential acquisitions is \$500. At December 31, 2009, the Corporation had \$1,049 of cash on hand and access to \$2,302 of its operating facility to fund its ongoing working capital requirements for 2010. 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, 2009, 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 fair value of the long term debt approximates its fair value at December 31, 2009 due to the relative short period of issuance before the end of the year.

### Credit and Concentration Risk

For the year ended December 31, 2009 the Corporation derived approximately 30% (2008 – 47 %) of its total revenue from the Government of Alberta. As at December 31, 2009, 12% (2008 – 26%) 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, 2009 an approximate impact on net earnings of \$27 (\$15 -2008). The Corporation does not currently hold any financial instruments to mitigate its interest 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, and 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 favourable 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.

## **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 quarter ended December 31, 2009, the Corporation leased its offices in Stonewood, VW and Indiana, PA from an officer of the Corporation. The amount paid was \$41, and was recorded as rent expense. The Corporation has an ongoing five year lease for both of the offices.

## SUMMARY OF SHARE CAPITAL

On February 11, 2009 the shares of the Corporation were consolidated on a one (1) new share for three (3) old shares basis as approved by the Corporation's shareholders on November 26, 2008.

Effective May 21, 2009, the Corporation received regulatory approval for a Normal Course Issuer Bid ("the bid") from the Toronto Stock Exchange to purchase for cancellation, from time to time as the Corporation considers advisable, up to 2,788,457 common shares or 10% of the Corporation's public float. The bid commenced on May 21, 2009 and will expire on May 20, 2010.

During the period ended December 31, 2009, the Corporation purchased for cancellation 1,005,744 shares at an average cost per share of \$0.468.

### Issued and Outstanding

Common shares	Number	Amount
Balance, December 31, 2008	41,372,305	22,921
Issued on exercise of stock options (2009)	16,666	6
Issued on exercise of warrants (2009)	1,898,382	1,672
Shares purchased and cancelled (2009)	(1,005,744)	(470)
Shares cancelled	(64,827)	(19)
Balance, December 31, 2009	42,216,782	24,110
Issued on exercise of stock options (2010)	69,998	29
Balance, March 12, 2010	42,286,780	24,139

Options	Number	Weighted-average exercise price
Outstanding, December 31, 2008	182,133	\$0.51
Exercised (2009)	(16,666)	\$0.30
Forfeited (2009)	(26,140)	\$0.54
Outstanding, December 31, 2009	139,327	\$0.54
Exercisable, December 31, 2009	139,327	\$0.54
Exercised (2010)	(69,998)	\$0.42
Forfeited (2010)	(6,666)	\$0.36
Outstanding, March 12, 2010	62,663	\$0.69
Exercisable, March 12, 2010	62,663	\$0.69

Deferred Annual Bonus and Share Purchase Plan Shares	Number	Amount
Outstanding, December 31, 2008	697,189	178
Issued 2009	-	-
Outstanding, December 31, 2009 and March 12, 2010	697,189	283

Warrants & Special Warrants	Number	Weighted-average exercise price
Outstanding, December 31, 2008	4,351,450	\$0.45
Cancelled (2009)	(2,453,068)	\$0.36
Exercised (2009)	(1,898,382)	\$0.58
Outstanding, December 31, 2009	-	-

## 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. The material weaknesses did not result in any adjustments to the Corporation's financial statements for the period ended December 31, 2009.

- 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 have not been fully implemented for businesses acquired by the Corporation in 2009. Management is in the process of reviewing the design of internal control over financial reporting and implementing the systems for internal control for these new acquisitions.
- 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 client base; and
- Management's assumptions regarding the sustainability of recurring revenue streams and the Corporation's expected continuing profitability in 2010.

The current economic environment continues to materially affect the Corporation's client base in both its Government and Energy divisions. Although the Corporation has been able to maintain its revenue in its historic Energy business in 2009, the Corporation's historic Government business has suffered material decline in 2009 and in particular Q4 2009. Given the current levels of expenditure by government departments and government budgets for 2010 and 2011, management believes that

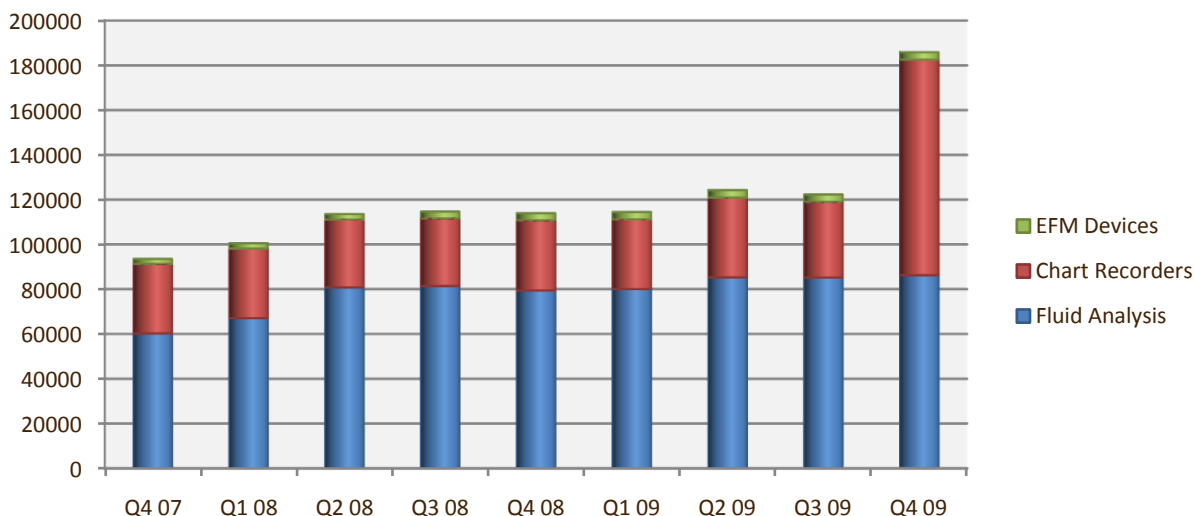
spending by the Corporation's Government clients in Alberta will likely remain curtailed for the foreseeable future. Accordingly, management anticipates revenue from such clients to continue to decline in Q1 2010 over Q4 2009 and remain at such levels at least for the remainder of 2010.

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 continue to meet its revenue targets of \$45,000 to \$50,000 for 2010, the Corporation will need to continue its expansion outside of Alberta. Accordingly, Management anticipates to invest in its management and infrastructure in the first half of 2010 in order to build a viable organization capable of organic growth in Eastern Canada for its non energy business. This investment is expected to impact the Corporation's earnings during this time, but is expected to increase the Corporation's cash flow from operations in late 2010 and 2011 through organic growth. Management's success will be dependent upon a general improvement in the economy outside of Alberta and management's success in 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.

A reduction in the gross margin related to the Corporation's Government business, its planned investment in management and infrastructure in Eastern Canada and continued costs related to integration of the companies acquired by the Corporation in 2009 is expected to significantly reduce profitability of the Corporation in Q1 2010 compared to Q4 2009. If the Corporation is successful in its organic expansion efforts in Eastern Canada, Management expects a steady improvement in cash flow from operations and net income during 2010 and into 2011. Based on current economic conditions and potential success of the Corporation's organic growth objectives, Management expects to achieve net income before tax in 2010 of \$3,000 to \$4,000. Achievement of the Corporation's objectives are based on a number of assumptions including the general economic environment, management's ability to streamline general and administrative expenses from acquired companies, continued gas exploration and development activity in the north eastern United States. 32% to 35% of the Corporation's 2010 revenue will 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.

**Serviced Measurement Points**



## OTHER

### 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, 2009, the Corporation adopted the new accounting handbook section 3064 which establishes new standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have material impact on the interim consolidated financial statements.

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

## Future Accounting Policies

In February 2008, CICA Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standard ("IFRS") from GAAP will be required for publically traded corporations for interim and annual financial statements effective fiscal years beginning on or after January 1, 2011 with comparative data also reported under IFRS. As of January 1, 2010, the Corporation will be required to prepare financial information in accordance with GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS in 2011.

The project team which consists of senior levels of the Corporation's management has been set up and regular reporting has been provided by the project team to executive management and the Audit Committee of the Board of Directors.

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

Earlier 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 areas IFRS could impact the Corporation have been identified as follows:

- Revenue
- PP&E
- Customer relationships & contracts
- Goodwill

The Corporation has commenced on the second phase of the transition with researching and preparing position papers on each of the identified areas. The position papers will review all the Canadian GAAP/IFRS differences and recommend the accounting policies, implementation choices/issues and first-time adoption considerations across all standards that may impact the specific balance sheet or income statement item. This phase is expected to be completed during the second quarter of 2010.

The position papers will document conclusions regarding the recognition, measurement and disclosure issues and will be focused on providing conclusions and recommendations to address each relevant Canadian GAAP/IFRS difference identified.

At this time, the impact on the Corporation's financial position and results of operations is not reasonably determinable or estimable for the IFRS conversion.

The Corporation is committed to the education and training component of the IFRS conversion. It has started, and will continue to invest in employee training, and a third party professional firm has also been engaged to assist with project management and technical accounting advice.

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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## Officers

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Executive Chairman

Alykhan Mamdani

President and Chief Executive Officer

Hashu Remtulla

Vice President and Chief Financial Officer

Brenton Lawther

Chief Operating Officer

Andy Levstik

Vice President, Corporate Services

Eric Olsen

Vice President, Operations (Edmonton)

Terry Burns

Vice President, Operations (Manitoba)

Raymond South

Vice President, Operations (Ontario)

Steve Sly

Vice President, Operations (Eastern U.S.A.)

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).