

Management Discussion and Analysis

For the Quarter Ended March 31, 2007

The following discussion and analysis provides a review of the operating results, financial position and liquidity risk affecting the unaudited interim financial results of CriticalControl Solutions Corp. for the three months ended March 31, 2007. This report should be read in conjunction with the Corporation's December 31, 2006 audited consolidated financial statements and accompanying notes presented in accordance with Canadian generally accepted accounting principals ("GAAP").

This Management Discussion and Analysis is prepared as of May 14, 2007 and contains certain forward-looking statements that involve risks and uncertainties, such as statements of the Corporation's plans, objectives, strategies, expectations and intentions. The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to the Corporation, or its management, are intended to identify such forward-looking statements. Many factors could cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including those factors discussed below and in filings made by the Corporation with Canadian securities regulatory authorities. Should one or more of the risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. The Corporation does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.

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

OVERVIEW

Corporate Profile

CriticalControl Solutions Corp. (the "Corporation" or "CriticalControl") is a technology company that enables its clients with better access to their critical business operational information. CriticalControl's proprietary products are technologies to allow faster access to and better control of the information required to operate the critical business operations of government and energy sector clients.

Corporate Developments

The following were the significant developments :

- The Corporation evaluated the performance and future strategic potential of its PipeWorks business unit and has committed to a process of divesting the operations during 2007. Pursuant to the CICA recommendation Section 3475, "Disposal of Long-lived Assets and Discontinued Operations," the assets have been classified as assets held for sale on the consolidated Balance Sheet while the revenues and expenses of the business have been netted and reported as income (loss) from discontinued business on the Consolidated Statements of Operations, Comprehensive Income and Deficit.
- On February 14, 2007, the Corporation announced that it has been engaged to provide \$1.18 million of services to a Western Canadian Province and certain US municipalities related to the control of property tax and revenue information. All revenues are expected to be recognized in 2007. The \$1.18 million is comprised of a \$575 support, maintenance and enhancement agreement with a Western Canadian Province for a system implemented by CriticalControl in the past and new deployments for specific US municipalities valued at US\$525.
- On March 1, 2007, the Corporation completed the acquisition of Idein Technologies Ltd. ("Idein"). Based in Calgary, Alberta, Idein's primary business is providing access to and control of electronic flow measurement and other devices at the well site. The control of field devices is an essential component of CriticalControl's plan to consolidate its various applications into a system of integrated management of energy production data. As consideration, CriticalControl paid \$255 in cash and issued 1,133,333 shares of CriticalControl to the vendors. The acquisition, which is expected to be immediately accretive to the company, is expected to add more than \$500 in annualized revenue.
- On March 1, 2007, the Corporation paid \$135 to Crimtech Services Ltd. as final payment for the contingent portion of the purchase price related to the acquisition of RDA in April, 2006. This component of the purchase



price has been recognized as an additional cost of the purchase price and allocated to customer relationships and contracts on the Corporation's balance sheet.

Selected Quarterly Information

The financial information included herein for the three months ended March 31, 2006 have been restated to reflect the discontinued operations and the reclassification of Corporate and other revenue.

	Three Months ended March 31, 2007	Three Months ended March 31, 2006
Revenue	\$ 6,799	\$ 6,382
Gross Margin	2,855	2,906
Income from Continuing operations	98	290
Loss from discontinued operations	(189)	(193)
Net Income / (Loss)	(91)	97
Net Income / (Loss) per share – basic and diluted	(0.00)	0.00
EBITDA (from continuing operations) ⁽¹⁾⁽³⁾	747	1,025
EBITDA (from discontinued operations)	(156)	(226)
Working capital ⁽²⁾⁽³⁾	(1,457)	3,090
Total assets	22,219	23,324
Total long-term debt (includes current portion)	5,785	6,815
Total equity	12,325	11,892

(1) EBITDA, defined as earnings before interest, taxes, depreciation and amortization, does not have any standardized meaning prescribed by GAAP, and may not be comparable to similar measures used by other companies. Management believes that EBITDA is a key performance indicator of the operational performance of the Corporation's business and its ability to increase profitability through growth.

(2) 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.

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

The Corporation continued the trend to execute on its plan to consolidate technologies and services offerings critical to both the Government and Energy sectors and to enhance the Corporation's implementation ability. As a result of this strategy, revenues increased by 7% (\$417) in Q1 of 2007 from Q1 of 2006.

The Corporation recorded a net loss of \$91 for Q1 of 2007 compared to a net profit of \$97 for Q1 of 2006. The reduction in earnings was due primarily to increased lease costs associated with the Corporation's new premises in Edmonton, AB, increased labor costs, downtime associated with the Corporation's imaging facility consolidation and expansion, and lack of realization of sales opportunities in the PipeWorks group. The impact of labour costs on the Company's gross margins have been subsequently addressed through price increases in both the Energy and Government divisions, effective April 1, 2007.

Working Capital decreased to (\$1,457) at March 31, 2007 from \$3,090 at March 31, 2006 primarily due to the Corporation's long term debt coming due within the next twelve months, offset in part from positive cash flow from operations. The Corporation anticipates that it will be able to retire the \$1.7 million debenture when due in August, 2007 from cash flow from operations. Management anticipates that it will renegotiate or replace the \$4.25 million debenture currently due in January, 2008 at terms consistent with, or more favorable than, the existing terms of the debenture.

Summary of Quarterly Results

The financial information included herein for the quarters have been restated to reflect the discontinued operations and reclassification of Corporate and other revenue

Two Year Summary By Quarter								
Years ended December 31,								
	2007	2006				2005		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue – continuing operations	6,799	5,902	5,515	5,651	6,382	5,396	4,833	4,569
Revenue – discontinued operations	498	637	549	455	496	602	425	692
Net income (loss) - continuing operations	98	195	(223)	(258)	290	(268)	(398)	(19)
Net income (loss)	(91)	25	(192)	(203)	97	(140)	(467)	94
EBITDA ⁽²⁾	591	776	531	595	880	675 ⁽¹⁾	361	776
Income (loss) per share	(0.00)	0.00	(0.00)	(0.00)	0.00	0.00	0.00	0.00

(1) Includes a \$125 write-down of goodwill and a provision of \$245 for contract losses.

(2) EBITDA, defined as earnings before interest, taxes, depreciation and amortization, does not have any standardized meaning prescribed by GAAP, and may not be comparable to similar measures used by other companies. Management believes that EBITDA is a key performance indicator of the operational performance of the Corporation's business and its ability to increase profitability through growth.

Increases in revenue in Q1 of 2007 from Q1 of 2006 resulted from both organic growth and increased revenue from the acquisition of RDA Networks and ProTrend Software Inc. which offset reduced revenue from the Corporation's Imaging Services Bureau which was shut down for 14 days in January, 2007 for relocation to a new facility and significantly reduced activity in the sale of electronic flow measurement devices related to the downturn in gas exploration activity in Q1 2007 compared to the buoyant activity in Q1 2006.

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2007 and 2006

Revenue

During the past 3 years, management of the Corporation undertook a review of its operations to focus on identifying key areas of potential growth to increase profitability and rationalized its efforts to execute its business plan. The key areas of strategic growth identified were Government and Energy. Management commenced phasing out operations outside its areas of strategic focus and by end of 2006 all efforts were focused primarily on these two strategic areas only. The financial information included herein for the three months ended March 31, 2006 have been restated to reflect the discontinued operations and the reclassification of Corporate and other revenue

	Three months ended March 31,		
	2007	2006	Change
Revenue:			
Government	\$3,521	\$3,357	5%
Energy	3,278	3,025	8%
	\$6,799	\$6,382	7%

Total revenue increased to \$6,799 for the three months ended March 31, 2007 from \$6,382 for the same period in 2006 – an increase of \$417 or 7%.

Government

Revenue from the Government sector increased by \$164, from \$3,357 for the three months ended March 2006 to \$3,521 for the same period in 2007 primarily due to organic growth. The delay of signing key contracts and downtime of the Corporation's imaging service bureau in Edmonton due to a premises consolidation and facility expansion resulted in only modest revenue growth. Subsequent to quarter-end the Company was awarded a renewed three-year contract for an expanded set of imaging, analysis and information control services with a Western Canadian Province.

Energy

Key acquisitions made to strengthen the Energy sector offering helped revenue to grow by \$253 from \$3,025 for the three months ended March 2006 to \$3,278 for the same period in 2007. Increased revenue was attributed to:

- Revenue from the client base associated with the RDA acquisition in March 2006 contributed to an increase of \$264 during the first three months of 2007 compared to the same period in 2006. Revenue from this client base grew to an average of \$191 per month in Q1 2007 compared to \$50 Q1 2006.
- The ProTrend acquisition made in August 2006 contributed to an increase of \$174 during the first three months of 2007 compared to the same period in 2006.
- Revenue from the ScanGas Chart Services resulted in an increase of \$26 for the three months ended March 31 2007 compared to the three months ended March 31 2006.
- Revenue from the Corporation's NetFlow business increased by \$82 from \$1,208 in Q1 2006 to \$1,290 in Q1 2007. Within this business, sales of electronic flow measurement devices fell by \$341 from \$1,057 in Q1 2006 to \$716 in Q1 2007, as a result of the drop in gas exploration activity. This reduction was offset through increased monthly service revenue which increased by \$423 from \$151 in Q1 2006 to \$574 in Q1 2007. \$264 of the increase is due to the growth from the client base related to the acquisition of RDA in March, 2006.
- During 2006 management of the Corporation refined its business model related to professional services in Calgary by reducing reliance on general consulting and forming an imaging service bureau geared towards the imaging of production related data for the oil patch. As a result of this shift, revenue from this portion of the business decreased by \$28 for the three months ended March 31 2007 compared to the same period in 2006. It is anticipated that the shift will bear fruit with the Imaging Service Bureau's revenue increasing steadily in 2007 and beyond.

On a quarter over quarter basis, service revenue from the Energy sector has increased steadily, supporting management's decisions on key acquisitions. Management expects this trend to continue to fuel the Corporation's growth in 2007 and beyond.

Cost of Revenue and Gross Margin (from continuing Operations)

The financial information included herein for the three months ended March 31, 2006 has been restated to reflect the discontinued operations

	Three months ended March 31,		
	2007	2006	Change
Cost of revenue:			
Government	\$ 2,179	\$ 1,775	23%
Energy	1,735	1,701	2%
	\$3,914	\$3,476	13%
Gross margin: ⁽¹⁾			
Government	1,342	1,532	(12%)
Energy	1,543	1,389	11%
	\$ 2,885	\$ 2,921	(1%)
Gross margin percentage: ⁽¹⁾			
Government	38%	46%	(8%)
Energy	47%	45%	2%
	42%	46%	(4%)

⁽¹⁾ Gross margin and gross margin percentage are non-GAAP measures that management believes are useful supplemental measures of operations.

For the three months ended March 2007, the cost of revenue increased by 13% and gross margin, defined as Revenue less Cost of Revenue, decreased by 1% as a result of increased staffing costs. As a percentage of revenue, gross margin declined to 42% in 2007 from 46% for the same period in 2006.

Government

Cost of Revenue for the Corporation's offering in the Government Sector increased by 23% primarily due to the pressure related to the Alberta labour market.

The delay in signing of key contracts resulted in revenues increasing by a modest 6%. Given the current backlog of imaging projects and the signing of new contracts, with increased labour costs addressed, management believes that increased gross margins are attainable.

The shutdown and relocation of the Corporation's Imaging Service Bureau in January, 2007 impacted revenue, as well as, reduced margin by sustaining the labour costs in the Cost of Revenue during the shut down and ramp up periods.

Energy

Cost of Revenue for the Corporation's offering in the Energy Sector increased by 2% for the three months ended March 2006 to three months ended March 2007 while revenue increased by 6%.

The Corporation evaluated the performance and future strategic potential of its PipeWorks business unit and has committed to a process of divesting the operations during 2007. The revenues and expenses of the business have been netted and reported as income (loss) from discontinued business on the Consolidated Statements of Income. Management has partially reassigned staff from this unit to other growth areas of the sector, particularly Netflow.

A primary objective of the Corporation in 2007 is to continue the execution of the Corporation's business plan for its offering to its energy clients. The corporation's measurement services now include gas chart integration through its proprietary ScanGas application, gas well monitoring and control through the Corporation's proprietary NetFlow Network, value added services to manage fluid analysis data through the Corporation's proprietary ProTrend application and services that provide access to and control of electronic flow measurement and other devices at the well site. The control of field devices is an essential component of the Corporation's plan to consolidate its various applications into a system of integrated management of energy data.

The Corporation has made a strategic decision to not provide such installation and support services and as such, contracts third parties to source, build and implement the necessary devices and communication equipment. In order to remain competitive, the markup for the sourcing and installation of the devices and communication equipment to the Corporation is 10% or less.

Given the demand for the Corporation's Netflow service, management expects low margin business, associated with third party hardware sales required for initial installation, to continue to grow in 2007, but such sales will fuel the steady, strong growth of a recurring, higher margin revenue stream.

Operating Expenses (from continued Operations)

The financial information included herein for the three months ended March 31, 2006 have been restated to reflect the discontinued operations

	Government		Energy		Corporate & Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
For the three months Ended March 31,								
Selling & Administrative Expenses	\$ 670	\$ 610	\$ 816	\$ 739	\$ 567	\$529	\$2,053	\$1,878
Research and Development	-	-	84	-	-	-	84	-
Amortization of Property & Equipment	57	42	198	190	18	28	273	260
Amortization of customer relationships & contracts	53	52	30	21	-	-	83	73
Interest & Other Expenses	-	-	-	-	294	420	294	420
	\$ 780	\$ 704	\$1,128	\$950	\$ 879	\$977	\$2,787	\$2,631

As with revenue, total operating expenses increased by 6% to \$2,787 for the three months ended March 2007 compared to the three months ended March 2006 as a result of management's effort in renegotiating of debt, restructuring of the workforce, and reduced R&D spending in Pipeworks.

Selling and Administrative Expenses

Selling and administrative expenses increased by 9% to \$2,053 for the three months ended March 2007 compared to the three months ended March 2006 primarily due to staffing cost pressures associated with rationalization of the workforce as a result of acquisitions and organic growth. In 2007 various reductions continue to be made to streamline administrative functions and eliminate duplicate positions resulting from these acquisitions.

Research and Development

R&D expense of \$84 has been incurred for the 3 months ended March 31, 2007 to enhance the Corporation's offering to the energy clients. The Corporation intends to continue investment in its proprietary technologies that show potential for growth, however, Research and Development as a percentage of overall revenue is expected to decline in 2007.

Amortization

Amortization of Property and Equipment increased from \$260 for the three months ended March 2006 to \$273 for the same period in 2007. The increase was mostly due to more property and equipment from acquisitions. Amortization of Customer Relationships & Contracts increased from \$73 for the three months ended March 2006 to \$83 for the same period in 2007. The increase is primarily due to acquisitions made by the Corporation.

Interest and Other Expenses

Interest expense decreased from \$408 for Q1 in 2006 to \$280 for Q1 in 2007. Debt service costs decreased for the three months ended March 2007 due to the renegotiation of debt. On June 30, 2006, the corporation extended the term of its financing agreements with its lender. Repayment of the \$2,700 debenture which was due on August 20, 2006 was amended such that \$1,000 was paid on August 20, 2006 and the remainder is due on August 20, 2007. Repayment of the debentures in the amount of \$4,250 due March 31, 2007 was extended to January 3, 2008. As consideration the Company has paid its lender a 1% extension fee and replaced warrants previously granted to purchase 4.25 million shares at \$0.35 per share prior to March 31, 2009 with Special Warrants to purchase 4.25 million shares at \$0.22 per share prior to January 3, 2010. Management anticipates being able to reduce overall debt coverage costs as the debt becomes payable.

Net Income

The Corporation's net income for the three months ended March 31, 2007 was a loss of \$91 compared to a profit of \$97 for the three months ended March 2006 primarily due to continued labor cost pressures and delay in signing of key contracts.

Liquidity and Capital Resources

The Corporation recorded an increase in cash of \$386 from continuing operations and \$480 from discontinued operations for the three months ended March 2007 compared to an increase of \$406 and \$ 255 respectively for the same period in 2006.

Cash flow generated from continuing operating activities for the three months ended March 31, 2007 amounted to \$1,438 compared to \$610 for the same period in 2006 primarily due to improvement in accounts receivable. Cash flow generated from discontinued operating activities for the three months ended March 31, 2007 amounted to \$480 compared to \$255 for the same period in 2006 primarily due to annual accounts receivables from the PipeWorks annual support contracts.

Cash flows used for financing activities (reduction of line of credit) was \$543 for the three months ended March 2007 compared to cash flows of \$15 used for financing activities for the same period in 2006.

Cash used in investing activities for the three months ended March 2007 was \$509 compared to \$189 for the same period in 2006. Of the \$509 used, \$99 was used to acquire capital assets and the remaining \$410 was used for acquisitions.

The Corporation's working capital position changed from a surplus of \$3,090 at March 31, 2006 to a deficit of \$1,457 as at March 31, 2007, as a result of the Corporation's growth and the related financing activities which occurred during 2006 and 2007. Management expects cash flow improvement in 2007 from all parts of the continuing operations.

FINANCIAL INSTRUMENTS

Fair value

As at March 31, 2007, the estimated fair values of cash and cash equivalents, accounts receivable, and accounts payable approximated their carrying values. The estimated fair value of the long-term debt is not practicably determinable.

Credit and Concentration Risk

For the three months ended March 31, 2007 the Corporation derived approximately 32% (2006 - 31%) of its total revenue from the Government of Alberta. As at March 31, 2007, 32% (2006 - 35%) of accounts receivable pertained to this customer.

Foreign Currency Risk

Foreign currency risk is the risk to the Corporation's results of operations that arises from fluctuations in foreign currency exchange rates. The Corporation conducts transactions in Canadian dollars and U.S. dollars. For the three months ended March 31, 2007, approximately \$213 of revenue was generated in U.S. dollars. The Corporation has not entered into foreign exchange contracts to hedge against gains or losses from foreign currency fluctuations.

SUBSEQUENT EVENTS

On April 2, 2007, the Corporation announced that it has been awarded a renewed three-year contract for an expanded set of imaging, analysis and information control services with a Canadian provincial government. Based on current volumes, the contract is expected to generate revenues in excess of \$2.4-million annually for the initial three-year term and allows the client to extend the contract up to three successive, two-year periods. Given the expanded services covered by the agreement, management expects the value of the contract to grow in size each year.

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

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.

Historical Operating Losses

The Corporation has experienced substantial operating losses in each of the past three fiscal years. Its success will depend in large part upon its ability to generate sufficient revenue to achieve annual profitability and to maintain existing and to develop new customer relationships.

Dependence on Management and Key Employees

The Corporation's 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 three 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 certain members of the management team.

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.

Limited Financial Resources

The Corporation believes that it will have sufficient cash to meet the Corporation's requirements for the next twelve months. The Corporation has limited financial resources and may require additional equity or debt financing in the future. There can be no assurance that the Corporation will be able to obtain on satisfactory terms, or at all, the additional financing required to compete successfully. Failure to obtain such financing could result in the delay or abandonment of some or all of the Corporation's business plans, which could have a material adverse effect on its 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

The Corporation had no transactions with related parties in 2007 or 2006.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Realizing early in 2006 that the process of evaluating the effectiveness of internal control over financial reporting ("ICFR") would be a significant undertaking, the Corporation formed a team to plan and implement efficiently the activities that would be required to support the additional certifications and disclosures relating to ICFR. This team has effectively applied a top-down, risk-based approach to assess the design of ICFR and has laid a solid foundation for assessing the operating effectiveness of ICFR.

The corporation continues to leverage the compliance momentum developed in the design phase, and plans to jumpstart the evaluation of operating effectiveness of ICFR in 2007 to identify early on and remediate any control weaknesses.

The Corporation strongly believes that the benefit from a strengthened system of internal controls, will not only be, a reduced exposure to financial reporting risks and fraud, but more importantly, an opportunity to drive value-added benefits through business process improvements.

SUMMARY OF SHARE CAPITAL

Issued and Outstanding

	Number	Amount
Common shares:		
Balance, December 31, 2006	129,443,816	\$ 23,537
Issued on exercise of stock options	45,666	8
Issued on acquisition of Idein Technology	1,133,333	255
Decrease in note receivable from Employee Trust	0	13
Balance, March 31, 2007 & May 14, 2007	130,622,815	\$ 23,813

Stock Options

	Number of options	Weighted-average exercise price
Outstanding, December 31, 2006	4,019,600	\$0.12
Granted	-	-
Cancelled	(38,334)	0.10
Exercised	(45,666)	0.10
Outstanding, March 31, 2007 & May 14, 2007	3,935,600	\$0.12
Exercisable, March 31, 2007 & May 14, 2007	3,506,100	\$0.11

Deferred Common Shares

	Deferred common shares	Amount
Outstanding, December 31, 2006	181,035	\$52
Issued	0	0
Outstanding, March 31, 2007 & May 14, 2007	181,035	\$52

Warrants and Special Warrants

	Number of warrants	Weighted-average exercise price
Outstanding, December 31, 2006	25,092,910	\$0.23
Expired	2,000,000	\$0.40
Outstanding, March 31, 2007 & May 14, 2007	23,092,910	\$0.22

OUTLOOK & GUIDANCE

During the past four years, management completed the formation of the basis of its go forward business strategy in both the government and energy sectors. In 2006, management continued its focus on executing the strategy and key acquisition were made with a view to providing more services to the existing client base and maximizing long-term profitability. The results for the fourth quarter of 2006 and first quarter of 2007 are indicative of the success of the start of this transition. In 2007 management intends to continue its drive to obtain operational efficiencies and to aggressively pursue identified areas of strategic growth to achieve increased gross margin as a percentage of revenue.

The Corporations offering in the government sector has been well received. The \$1.18 million award in February 2007 for services to a Western Canadian Province and certain US municipalities related to the control of property tax and revenue

information and the subsequent announcement in April 2007 regarding the renewed three year contract for an expanded set of imaging, analysis and information control services with a Canadian Provincial Government is proof of this. Growth in 2007 in the Government sector will be dampened due to the cost of labour and the resulting impact on gross margins. Notwithstanding the foregoing, management anticipates organic growth in its Government business to offset a reduced gross margin such that the contribution from the Government business will remain as strong in 2007 as it was in 2006. Management anticipates gross margins improving in 2008 once labour cost increases can be reflected into the Corporation's longer term contracts.

Growth in overall gross margin, and ultimately growth in net income in 2007 will be ultimately derived from the execution of the Corporation's business plan for its offering to its energy clients ("Energy Strategy"). Management anticipates that the Corporation's Energy Strategy will continue to fuel overall organic growth in the Corporation's business in 2007 in line with 2006, and as such, will lead to improved cash flow and profitability.

The Corporation's Energy Strategy concentrates on the areas of the Company capable of long term recurring profitability. The acquisition of the RDA Network in April 2006, ProTrend Software in August 2006, and Idein Technologies in March 2007 is proof of this commitment. With these acquisitions, management believes the Corporation has developed a market leadership position in gas measurement serving over 250 clients in the energy industry.

The corporation's measurement services now include gas chart integration through its proprietary ScanGas application, gas well monitoring and control through the Corporation's proprietary NetFlow Network, value added services to manage fluid analysis data through the Corporation's proprietary ProTrend application and services that provide access to and control of electronic flow measurement and other devices at the well site. The control of field devices is an essential component of the Corporation's plan to consolidate its various applications into a system of integrated management of energy data.

During the last few years the Corporation has developed a market leadership position in gas measurement through the continued acceptance of its proprietary ScanGas application, now used by over 200 gas producers in Canada to provide gas measurement data from gas charts, which are still generated by the majority of gas meters in Canada. As electronic measurement devices gain increasing acceptance across the market as an alternative to the implementation of new gas chart recorders, CriticalControl intends to capture market share through the advantage of being an incumbent provider of gas measurement data and by leveraging its proprietary Netflow technology. Netflow is now a market leading automated productivity solution capable of gathering electronic data as well as remotely controlling wellsite devices.

The following metrics reflect our market leadership position in the gas measurement arena.

	2007		2006		
	Q1	Q4	Q3	Q2	Q1
Services Provided to Active Measurement Points at the end of each Quarter					
Chart Recorders – Measurement (meters)	29,849	32,065	32,625	33,309	32,199
Electronic Flow Measurement Devices - Measurement and Control	2,158	2,013	1,831	1,494	597
Fluid Analysis – Composition Management	44,874	39,589	35,464	NA	NA

The 6.9% drop in Chart Recorders serviced is not indicative of the growth in the Corporation's chart reading business. The decline reflects reduced meter testing in Q1 due to business cycles and exemptions from measurement obtained by certain of the Corporation's clients for low producing wells. CriticalControl has secured additional clients for its chart reading business subsequent to Q1 which will be reflected in growth during the remainder of 2007.

The acquisition of the RDA Network in April 2006 increased the number of measurement points being serviced, whereas the acquisition of ProTrend Software in August 2006 increased both the number of measurement points being serviced and provided additional value added services which could be provided to each measurement point.

By end March 2007, ProTrend provided services for over 20 clients totaling over 44,000 fluid analyses. Of the almost 39,000 measurement points currently in the ProTrend database, approximately 5,800 are also serviced by CriticalControl for gas measurement and or well site control purposes. This presents an opportunity to cross sell CriticalControl's expanded services within both client bases, and combined with an aggressive strategy to increase value added services from a measurement point perspective is a key component of the Corporation's growth plan. Management's efforts in this

regard started with the acquisition of Idein Technologies in March 2007 and will continue in 2007, resulting in increased gross margin as a percentage of revenue.

The Corporation is executing a two-fold strategy designed to fuel growth into 2007: increase the number of measurement points being serviced; and to provide value added services to increase the net revenue derived from each measurement point.

Management expects the labour market in Alberta to continue to pressure costs, and as such, management continues to invest in technology and processes to ensure business continuity and cost control. In 2007 management intends to continue its drive to obtain operational efficiencies and to aggressively pursue our identified areas of strategic growth.

OTHER

Accounting Policies

The company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The company's accounting policies remained unchanged in 2007.

Accounting Policy Changes

In Q1 the Corporation has adopted the new accounting standards, 1530 Comprehensive Income, 3855 Financial Instruments – Recognition and Measurement, and 3865 Hedges as issued by CICA and applicable to interim and annual financial statements beginning on or after October 31, 2006. Based on the assessment and categorization of its financial instruments, the Corporation did not recognize any comprehensive income (loss) or accumulate other comprehensive income.

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

CRITICALCONTROL SOLUTIONS CORP.



Management Discussion and Analysis

For the Period Ended March 31, 2007

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