

Management Discussion and Analysis

For the Quarter Ended March 31, 2006

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, 2006. This report should be read in conjunction with the Corporation's December 31, 2005 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 19, 2006 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 in the three months ended March 31, 2006:

- In March 2006, the Corporation announced that it had been awarded a five-year contract for outsourced imaging, analysis and information control services (the "Services") with a major government client. The contract represents revenue of \$17.25 million for the initial five year term and allows the client to extend the contract twice for up to three years on the first occasion and for up to two years on the second occasion.

Selected Quarterly Information

	Three Months ended March 31, 2006	Three Months ended March 31, 2005
Revenue	\$ 6,893	\$3,570
Gross Margin	3,087	1,069
Net Income / (Loss)	97	(813)
Net Income / (Loss) per share – basic and diluted	0.00	(0.01)
EBITDA ⁽¹⁾⁽³⁾	880	(195)
Working capital ⁽²⁾⁽³⁾	3,090	2,308
Total assets	23,324	19,125
Total long-term debt (includes current portion)	6,815	6,800
Total equity	11,892	8,913

- (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 from Q4 of 2005 into Q1 2006 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. Revenue increased by 93% (\$3,323) in Q1 of 2006 from Q1 of 2005, due primarily to the acquisitions of BMP Energy (March, 2005), Netflow (July, 2005) and Deines Imaging (November, 2005), contributing incremental revenue of \$3,081 for the quarter.

The Corporation recorded net income of \$97 for Q1 of 2006 compared to a net loss of \$813 for Q1 of 2005. The improvement in earnings was due primarily to an increase in gross margin of \$2,018 whereas operating expenses increased by only \$1,108.

As a result of the Corporation securing additional financing of \$4,038 in new equity in 2005 through a Private Placement in May 2005 to provide additional working capital and to fund the Netflow and Deines acquisitions, Working Capital increased from \$2,308 at March 31, 2005 to \$3,090 at March 31, 2006.

Summary of Quarterly Results

Two Year Summary By Quarter								
Years ended December 31,								
	2006		2005		2004			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	6,893	5,998	5,258	5,261	3,570	3,780	3,307	3,029
Net income (loss)	97	(140)	(467)	94	(813)	(1,808)	(307)	(518)
EBITDA ⁽³⁾	880	675 ⁽¹⁾	361	776	(195)	(466) ⁽²⁾	179	(127)
Income (loss) per share	0.00	0.00	0.00	0.00	(0.01)	(0.02)	0.00	(0.01)

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

(2) Includes a provision for \$652 for contract losses.

(3) 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.

Significant increases in revenue in Q1 of 2006 from Q1 of 2005 resulted from both organic growth and the acquisition of BMP Energy, acquired on March 31, 2005, which added \$1,263 of additional revenue and NetFlow, acquired July 1, 2005, adding revenue of \$1,208 and Deines, acquired October 31, 2005, adding revenue of \$610 in Q1 of 2006.

During Q1 of 2006, improved margins and higher revenue levels resulted in improved net income partially offset by additional charges for interest and amortization of financing costs related to the \$4,250 debenture issued on March 31, 2005, and amortization of intangible assets obtained on the acquisition of BMP Energy. The Corporation generated net income of \$97 for Q1 of 2006 compared with net loss of \$813 for the same period in 2005.

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2006 and 2005

Revenue

During 2005, the Corporation undertook a review of its operations to focus on identifying key areas of potential growth to increase profitability. The key segments identified were Government and Energy. All public company costs, interest and other expenses not directly attributed to the two operating segments are included in Corporate and Other. Revenue attributed to Corporate and Other includes revenue from Consulting and Other Services outside the Government and Energy sectors.

	Three months ended March 31,		
	2006	2005	Change
Revenue:			
Government	\$3,307	\$ 1,801	84%
Energy	3,283	1,248	163%
Other	303	521	(42%)
	\$6,893	\$3,570	93%

Total revenue increased to \$6,893 for the three months ended March 31, 2006 from \$3,570 for the same period in 2005 – an increase of \$3,323 or 93%. The acquisition of BMP Energy in March 2005, Netflow in July 2005 and Deines in November 2005 contributed additional revenue of \$3,081 for the period ended March 31, 2006 when compared to 2005.

During the past 3 years, management of the Corporation has identified key areas of strategic growth and rationalized its efforts to execute its business plan. As the Corporation's business matured and took shape in 2005, management commenced phasing out operations outside its areas of strategic focus. As such, revenues from outside the Government and Energy sectors decreased by 42%, while revenues from the Government and Energy sector increased 84% and 163% respectively.

Government

Revenue from the Government sector increased by \$1,506, from \$1,801 for the three months ended March 2005 to \$3,307 for the same period in 2006. Increased revenue was attributed to:

- \$485 was attributed to the acquisition of Deines Imaging on October 31, 2005.
- The remaining \$1,021 or 57% of the Government Revenue for the three months ended March 2006 resulted from organic growth, primarily due to an increase in the imaging and document control services provided to various ministries of the Government of Alberta.

Energy

Revenue from the Energy sector increased by \$2,035, increasing from \$1,248 for the three months ended March 2005 to \$3,283 for the same period in 2006. Increased revenue was attributed to:

- \$1,263 of the increase resulted from the acquisition of BMP Energy on March 31, 2005.
- \$1,208 of the increase resulted from the acquisition of Netflow on July 1, 2005.
- \$125 was attributed to the acquisition of Deines Imaging on October 31, 2005.

- On a quarter over quarter basis, revenue from both BMP Energy and Netflow increased steadily since their acquisition and management expects this trend to continue to fuel the Corporation's growth in 2006.
- Growth from the acquisitions of BMP, Netflow and Deines was tempered by reduced revenue of \$212 from the consulting & third party hardware / software sales and \$349 from the Corporation's proprietary pipeline operations applications ("PipeWorks"). Management is currently concentrating its efforts in developing a new component to the PipeWorks Suite designed to reduce power consumption in a pipeline. Management anticipates completing the development of this new component, called PipeOptimizer, in 2006 and thereafter continue marketing its PipeWorks Suite.
- Revenue from U.S. customers was \$194 for the three months ended March 31, 2006 compared to \$439 for the same period ended March 31, 2005. The decrease is due to the completion of several contracts for implementation of PipeWorks.

Cost of Revenue and Gross Margin

	Three months ended March 31,		
	2006	2005	Change
Cost of revenue:			
Government	\$ 1,775	\$ 1,455	22%
Energy	1,894	752	152%
Other	137	294	(53%)
	\$3,806	\$2,501	52%
Gross margin: ⁽¹⁾			
Government	1,532	346	343%
Energy	1,389	496	180%
Other	166	227	(27%)
	\$ 3,087	\$ 1069	188%
Gross margin percentage: ⁽¹⁾			
Government	46%	19%	27%
Energy	42%	40%	2%
Other	55%	44%	(11%)
	45%	30%	15%

⁽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 2006, the cost of revenue increased by 52% and gross margin, defined as Revenue less Cost of Revenue, increased by 188% as a result of the acquisitions and related increase in revenue. As a percentage of revenue, gross margin improved to 45% in 2006 from 30% for the same period in 2005.

Government

Cost of Revenue for the Corporation's offering in the Government Sector increased due to the increased costs associated with a higher revenue base. However, Cost of Revenue increased by 22% from three months ended 2005 to the three months ended 2006, while revenue increased by 84%. This difference is associated with economies of scale gained in the Corporation's imaging and document control offering and has resulted in significantly improved gross margins.

Given the current backlog of imaging projects and the renewal to March, 2011 of the Corporation's primary outsourcing contract for document control services with a large government agency, management believes that this increased gross margin is sustainable.

Energy

Cost of Revenue for the Corporation's offering in the Energy Sector increased by 152% from the three months ended March 2005 to three months ended March 2006 while revenue increased by 163%. This seemingly linear relationship does not reflect the operational improvement of the business, nor the shift toward recurring revenue the Corporation continues to experience in 2006.

A primary objective of the Corporation in 2006 is to continue the growth associated with its Netflow business, which enables gas producers to electronically gather gas volume information from the wellsite and using the same software, to control various electronic devices at the wellsite. The Corporation offers this service based on a monthly fee for each device connected to the Corporation's network of devices. The purchase and installation of the devices and necessary communication equipment is a capital cost to the gas producer. In many cases, the gas producer contracts the Corporation to source and install such equipment as a necessary condition of contracting the Corporation for its Netflow monthly service.

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. Consequently, these third party hardware sales resulted in Revenue of \$1,057 and Cost of Revenue of \$867. Excluding this non-strategic portion of the Corporation's business from its results, Revenues from the Energy Sector would amount to \$2,226 and Cost of Revenue would come in at \$1,027, resulting in a gross margin of \$1,199 or 54%.

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 grow substantially in 2006, but such sales will fuel the steady, strong growth of a recurring, higher margin revenue stream.

Operating Expenses

	Government		Energy		Corporate & Other		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
For the three months Ended March 31,								
Selling & Administrative Expenses	313	66	664	184	1,012	776	1,989	1,026
Research and Development	-	-	217	207	-	-	217	207
Amortization of Property & Equipment	42	38	190	84	28	22	260	144
Amortization of customer relationships & contracts	52	259	54	-	-	-	106	259
Interest, Contract Losses & Other Expenses	-	-	-	-	418	246	418	246
	\$407	\$363	\$1,125	\$475	\$1,458	\$1,044	\$2,990	\$1,882

Selling and Administrative Expenses

Selling and administrative expenses increased by 93% to \$1,989 for the three months ended March 2006 compared to the three months ended March 2005. As with the cost of revenue, the largest component of selling and administrative expenses is salaries, which amounted to \$1,336 for the three months ended March 2006 compared to \$560 for the same period in 2005 – an increase of 138% primarily resulting from acquisitions and organic growth. In 2006 various reductions continue to be made to streamline administrative functions and eliminate duplicate positions resulting from these acquisitions.

Research and Development

With the Corporation's proprietary products matured from development to commercialization, the Corporation's costs related to continued development of its products are expensed. As such, the research and development costs for the expansion of the Corporation's PipeWorks Suite into new functionality such as scheduling and power optimization increased from \$207 for the three months ended March 2005 to \$217 for the same period in 2006. The Corporation intends to continue investment in its proprietary technologies at a similar rate, however, Research and Development as a percentage of overall revenue is expected to decline in 2007.

Amortization

Amortization of Property and Equipment increased from \$144 for the three months ended March 2005 to \$260 for the same period in 2006. The increase was mostly due to more property and equipment from acquisitions. Amortization of Customer Relationships & Contracts decreased from \$259 for the three months ended March 2005 to \$106 for the same period in 2006. The reduction is due primarily to the completion of amortization of certain contracts associated with earlier acquisitions made by the Corporation in the Government sector, and accounted for most of the 58% reduction in total amortization expense for the Corporation's Government business.

Total amortization increased in the Corporation's Energy business by 435%. The overall increase was due to the amortization of certain customer contracts related to the acquisition of BMP Energy and Netflow offset by a reduction in the amortization of property and equipment due to the decrease in the size of the pool of software related to the acquisition of TCENet Inc. in 2003. Total amortization related to the Energy business is expected to increase as the Corporation continues to build its business in the sector through acquisition.

Interest, Contract Losses and Other Expenses

Debt service costs increased for the three months ended March 2006 due to the full quarter of interest expense in relation to the debt incurred by the Corporation to fund the Corporation's acquisition of BMP Energy in April 2005. Interest expense increased from \$191 for Q1 in 2005 to \$408 for Q1 in 2006, or 113%. \$195 (or 48%) of the Q1 interest expense was non-cash related to Warrants issued in conjunction with the financing compared with \$105 (or 55%) for the comparable period in 2005. The non-cash interest expense will be fully accreted by March 2007. The Corporation's total debt of \$6,950 can be repaid without penalty at any time, but is due in August 2006 (\$2,700) and April 2007 (\$4,250). 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, 2006 was \$97, an improvement of \$910 over the loss of \$831 for the three months ended March 2005. The overall gross margin improved by \$2,018 whereas the operating expenses increased by only \$1,108.

Liquidity and Capital Resources

The Corporation recorded an increase in cash of \$661 for the three months ended March 2006 compared to an increase of \$426 for the same period in 2005.

Cash flow generated from operating activities for the three months ended March 31, 2006 amounted to \$865 compared to \$52 for the same period in 2005. Cash flows used for financing activities was \$15 for the three months ended March 2006 compared to cash flows of \$4,541 from financing activities for the same period in 2005. In March, 2005, the Corporation closed a private placement of a debenture with a principal amount of \$4,250, the net proceeds of which were used to fund the acquisition of BMP Energy. The Corporation's operating and terms loans were reduced by \$74 for the three months ended March 31, 2006 compared to \$57 for the same period ended in 2005.

Cash used in investing activities for the three months ended March 2006 was \$189 all of which was used to acquire capital assets and \$4,167 for the same period in 2005 of which \$3,856 related to acquisitions. Cash used to acquire capital assets was \$311 for the three months ended March 2005.

The Corporation's working capital position improved from a surplus of \$2,308 at March 31, 2005 to a surplus of \$3,090 as at March 31, 2006, as a result of the Corporation's growth and the related financing activities which occurred during 2005. Management expects continued improvement in cash flow in 2006 from primarily all parts of the business.

FINANCIAL INSTRUMENTS

Fair value

As at March 31, 2006, 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, 2006 the Corporation derived approximately 31% (2005 - 21%) of its total revenue from the Government of Alberta. As at March 31, 2006, 35% (2005 - 20%) 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, U.S. dollars and Euros. For the three months ended March 31, 2006, approximately \$248 of revenue was generated in U.S. dollars and Euros. The Corporation has not entered into foreign exchange contracts to hedge against gains or losses from foreign currency fluctuations.

SUBSEQUENT EVENTS

On April 28, 2006, the Corporation acquired the Remote Data Acquisition ("RDA") Network from Crimtech Services Ltd. ("Crimtech"). The RDA Network, similar to Critical Control's proprietary Netflow service, offers oil and gas producers a web enabled, hosted service to acquire production and related data directly from the well site combined with functionality to control electronic well site devices remotely from any desktop connected to the internet. The purchase price consists of \$495 in cash and 189,655 shares of the Corporation as well as a deferred payment of \$250 payable upon meeting certain performance criteria.

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 and Euros. 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 \$150 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 2006 or 2005.

SUMMARY OF SHARE CAPITAL

Issued and Outstanding

	Number of Common shares:	Amount
Balance, December 31, 2005	126,121,271	\$ 22,987
Issued on exercise of stock options	22,666	4
Issued on exercise of warrants	530,000	80
Balance, March 31, 2006	126,673,937	\$ 23,071
Issued on exercise of stock options	162,000	15
Issued on exercise of warrants	115,500	13
Issued on acquisition of RDA	189,655	55
Balance, May 19, 2006	127,141,092	\$ 23,154

Stock Options

	Number of options	Weighted-average exercise price
Outstanding, December 31, 2005	5,166,433	\$0.14
Granted in Q1-2006	-	0.16
Exercised in Q1-2006	(22,666)	0.10
Cancelled in Q1-2006	(98,333)	0.10
Outstanding, March 31, 2006	5,045,434	\$0.15
Exercisable, March 31, 2006	3,158,729	\$0.17
Granted in Q2-2006	2,500	0.30
Exercised in Q2-2006	(162,000)	0.10
Cancelled in Q2-2006	(122,000)	0.27
Outstanding, May 19, 2006	4,763,934	0.15
Exercisable, May 19, 2006	2,928,399	0.16

Warrants and Special Warrants

	Number of warrants	Weighted-average exercise price
Outstanding, December 31, 2005	27,166,823	\$ 0.27
Exercised in Q1 -2006	(530,000)	0.11
Outstanding, March 31, 2006	26,636,823	\$ 0.27
Exercised in Q2- 2006	(115,500)	0.10
Outstanding, May 19, 2006	26,521,323	\$ 0.27

OUTLOOK & GUIDANCE

During the past three years, management completed the formation of the basis of its go forward business strategy in both the government and energy sectors. In 2005, management moved its focus from developing its strategy to executing it. The results for the fourth quarter of 2005 and first quarter of 2006 are indicative of the success of the start of this transition.

As a result of this transition, management reviewed all aspects of the Company's business with a view to maximizing long-term profitability. As a result, the Company's resources were concentrated on the areas of the Company capable of long term recurring profitability. Management's efforts in this regard will continue in 2006 resulting in increased gross margin as a percentage of revenue.

In March 2006, the Company announced the renewal of the Company's relationship with the Government of Alberta, ensuring an annual \$3,450 in recurring revenue into 2011. This contract combined with the continued expansion of imaging services to provincial government clients has resulting in an even stronger recurring revenue base from the Company's government offering for at least the next 8 quarters.

During 2005, management believes 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.

Due to the recurring nature of the services offered, the critical nature of the data managed by these applications, the historic long-term retention of this client base and the steady increase in revenue in each quarter of 2005, management believes this recurring revenue stream will provide strong growth for at least the next 8 quarters.

In 2006 management intends to continue its drive to obtain operational efficiencies and to aggressively pursue our identified areas of strategic growth.

OTHER

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, 2006

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