



CriticalControl Solutions Corp.
Management, Discussion & Analysis
March 31, 2011

This discussion and analysis of financial condition and results of operations of CriticalControl Solutions Corp. is prepared as at May 27, 2011, and should be read in conjunction with the unaudited condensed consolidated interim financial statements of CriticalControl Solutions Corp. and the notes thereto for the three months ended March 31, 2011 and with the audited consolidated financial statements of CriticalControl Solutions Corp. and the notes thereto for the year ended December 31, 2010.

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

QUARTERLY HIGHLIGHTS

Service Bureau Operations turns the corner from 2010

- Revenue from the Service Bureau Operations increased by 10% for the three months ended March 31, 2011 when compared to the same period in 2010.
- Gross margin ⁽¹⁾ percentage for the three months ended March 31, 2011 increased from 26% to 31% when compared to the same period in 2010 as a result of streamlined operations and improved economies of scale.
- Selling and administrative expenses for the Service Bureau Operations declined by 29% for the three months ended March 31, 2011 when compared to the same period in 2010 as the Corporation achieved integration of its 2009 acquisitions.

Revenue decreased by 6%

- Growth in the Service Bureau Operations was offset by a \$1,353 decline in revenue from the US Energy Services business, due to a decline in non-recurring sales of fabricated and assembled gas measurement and related equipment.

Earnings remain consistent

- Earnings before tax decreased by 1% to \$707 for the three months ended March 31, 2011 compared to \$711 for the three months ended March 31, 2010. Interest and unwinding of discounts of \$117 (2010 - \$122) and depreciation and amortization of \$498 (2010 - \$679) were charged to earnings during the period.
- Net earnings increased by 1% to \$514 for three months ended March 31, 2011 compared to \$510 for the same period in 2010.

Continued US expansion

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

Improved Liquidity

- Total long-term debt (inclusive of current portion) decreased by \$2,682 or 28% from March 31, 2010 to March 31, 2011, despite an additional \$976 of debt incurred related to 2010 acquisitions.
- Working capital ⁽¹⁾ increased from \$1,673 at March 31, 2010 to \$4,426 at March 31, 2011.
- Total equity increased by 45% from \$16,985 at March 31, 2010 to \$24,696 at March 31, 2011, which is attributable primarily to proceeds on private placements of \$4,559 in the last three quarters of 2010 and accumulated comprehensive income of \$2,954 for the 12 months ended March 31, 2011.

⁽¹⁾ See Non-IFRS Measures section below.

NON-IFRS MEASURES

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

SELECTED QUARTERLY INFORMATION

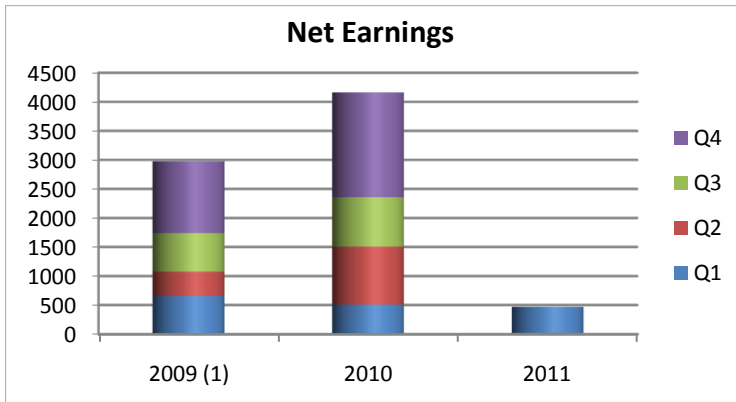
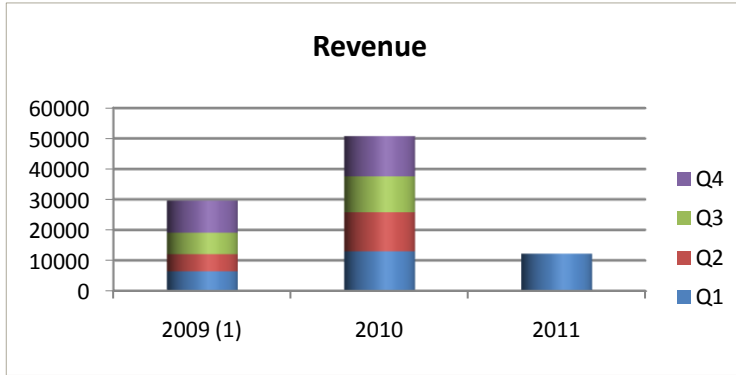
	Three months ended March 31, 2011	Three months ended March 31, 2010
Revenue	12,221	13,042
Gross margin ⁽¹⁾	4,571	4,906
Earnings before income tax	707	711
Net earnings	514	510
Net earnings per share – basic	0.01	0.01
Finance costs	165	309
Current assets	15,384	13,560
Current liabilities	10,958	11,887
Working capital ⁽¹⁾	4,426	1,673
Total assets	42,899	39,270
Total long-term debt (includes current portion)	6,971	9,653
Total equity	24,696	16,985

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

SUMMARY OF QUARTERLY RESULTS

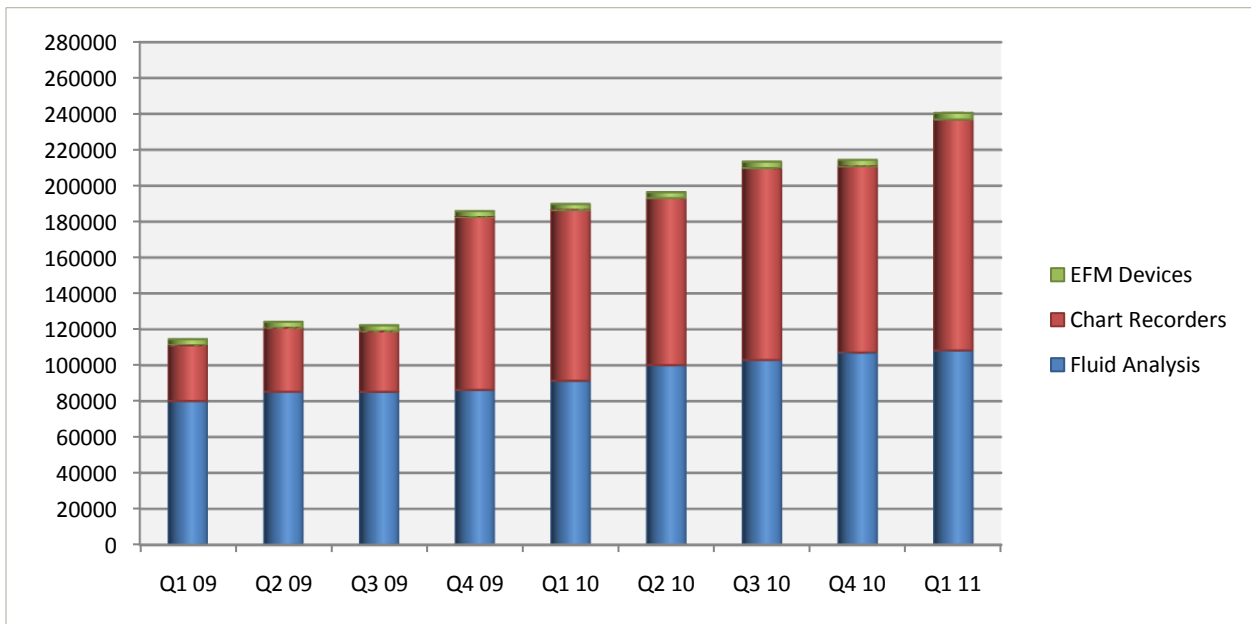
The following table presents certain financial information on a consolidated basis for the last eight quarters.

	Two Year Summary By Quarter							
	2011		2010				2009 ⁽¹⁾	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	12,221	13,214	11,669	12,796	13,042	10,512	7,057	5,617
Earnings before income tax	707	92	1,157	1,431	711	1,082	665	466
Net earnings	514	1,080	853	1,075	510	1,233	665	466
Net earnings per share - basic	0.01	0.02	0.02	0.03	0.01	0.03	0.02	0.01



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

Serviced Measurement Points



CORPORATE PROFILE

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

Service Bureau Operations

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

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

Energy Services

The Corporation's Energy Services business provides the following services to its upstream and midstream oil and gas clients:

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

RESULTS OF OPERATIONS

Revenue

	2011	2010	Change
Revenue			
Service Bureau Operations	5,615	5,089	10%
Energy Services	6,606	7,953	-17%
	12,221	13,042	-6%

Service Bureau Operations

Service bureau operations revenue for the three months ended March 31, 2011 increased by \$526 compared to the same period in the previous year. This increase is primarily from Alberta and is reflective of a gradual recovery from recessionary pressures in 2010.

Energy Services

Revenue for the Corporation's Canadian Energy Services business remained consistent at \$2,962 compared to \$2,956 for the same period in 2010. A general decline in expenditures by gas producers in Canada due to prevailing low commodity

prices and shut in wells was offset by an increase in the penetration of the Corporation's solutions in the market, including an increase of \$241 from the acquisitions of QM4 Engineering in May 2010 and Visible Data Group in October 2010.

The Corporation's US Energy Services business generated revenue of \$3,644 for the three months ended March 31, 2011 compared to \$4,997 for the same period in 2010. Additional revenue of \$530 from the acquisition of TSM in November 2010 was more than offset by a decline in revenue of \$1,883. Approximately \$189 of this decrease can be attributed to the impact of the lower value of the US dollar in relation to the Canadian dollar, but the remainder was primarily related to non-recurring fabrication and assembly of gas measurement and related equipment.

In Q1 2011, 54% (\$1,956) of the Corporation's energy services revenue from the US was from the fabrication and assembly of gas measurement and related equipment compared to 73% (\$3,645) in Q1 2010. In 2010, a substantial portion of this revenue was related to conventional wells traditionally drilled by the Corporation's historic client base. Many of these conventional wells used traditional dry flow meters (chart recorders), the bulk of which were provided by the Corporation on a refurbished basis.

During 2010, several new producers entered into the Marcellus region and drilling shifted from conventional wells to the exploration and development of shale plays. The demand on existing infrastructure and available resources resulted in a marked decline in conventional wells in Q1 2011 over Q1 2010. As a consequence of this shift, the demand for traditional dry flow meters declined in favour of electronic flow measurement devices (EFMs), which is an alternative to dry flow meters for the measurement of gas. Whereas the Corporation has a strong market leadership position in the refurbishing and sale of dry flow meters, the market for EFMs is wider and more competitive. In addition, the demand for equipment generated with the exploration of shale plays has resulted in the entry of new competitors who have not traditionally serviced the Corporation's client base in the North Eastern US.

These factors combined with heavy rains in the North Eastern US in early 2011 caused a marked decline in the Corporation's revenue.

Recurring revenue before acquisitions in the North Eastern US decreased by \$93 on a year over year basis, but the TSM acquisition added \$428 of revenue in Q1 2011, resulting in a net increase from \$1,352 for the three months ended March 31, 2010 to \$1,687 for the same period in 2011.

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

Cost of Revenue and Gross Margin

	2011	2010	Change
Cost of Revenue			
Service Bureau Operations	3,891	3,769	3.2%
Energy Services	3,759	4,367	-13.9%
	<u>7,650</u>	<u>8,136</u>	<u>-6.0%</u>
Gross margin ⁽¹⁾			
Service Bureau Operations	1,724	1,320	30.6%
Energy Services	2,847	3,586	-20.6%
	<u>4,571</u>	<u>4,906</u>	<u>-6.8%</u>
Gross margin ⁽¹⁾ percentage			
Service Bureau Operations	30.7%	25.9%	4.8%
Energy Services	43.1%	45.1%	-2.0%
	<u>37.4%</u>	<u>37.6%</u>	<u>-0.2%</u>

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

Service Bureau Operations

Gross margin in the Corporation's Service Bureau Operations improved for the three months ended March 31, 2011 compared to the same period in 2010. The increase is primarily related to the improved economies of scale from increased revenue in Alberta.

Energy Services

For the three months ended March 31	2011	2010	Change
Canadian Energy Services - gross margins	61.3%	62.4%	-1.1%
US Energy Services - gross margins	28.3%	34.9%	-6.6%
	43.1%	45.1%	-2.0%

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

Gross margins for the Canadian Energy Services business were relatively consistent from Q1 2010 to Q1 2011. Gross margins in the US declined primarily due to reduced economies of scale associated with significantly lower revenue, and the sale of fewer large gas measurement/equipment fabrication assemblies that generate higher margins.

Operating Expenses

For the three months ended March 31	Service Bureau Operations		Energy Services		Corporate		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Selling & administrative expenses	1,120	1,575	1,128	974	1,192	1,034	3,440	3,583
Research and development expenses	-	-	295	303	-	-	295	303
Finance costs	5	-	1	-	159	309	165	309
Other operating costs	-	-	-	-	(36)	-	(36)	-
	1,125	1,575	1,424	1,277	1,315	1,343	3,864	4,195

Selling and Administrative Expenses

Selling and administrative expenses attributed to the Corporation's Service Bureau Operations declined by 29% for the three months ended March 31, 2011 compared to the same period in 2010. The decrease is from streamlining the overhead costs of companies acquired in 2009 as part of the integration of the business units. The 2010 period also includes \$213 of integration costs.

The increased selling and administrative expenses related to Energy Services primarily relates to the acquisition of TSM and the additional costs associated with the office in Girard, Ohio.

Selling and administrative expenses attributed to Corporate increased by \$158 for the three months ended March 31, 2011 compared to the same period in 2010. The increase is primarily attributable to costs related to the changeover to IFRSs from Canadian GAAP and to actual audit fees in excess of the estimate accrued at December 31, 2010.

Research and Development Expenses

The Corporation continued with its research and development initiatives to increase the functionality its Energy Services clients can derive from the Corporation's consolidated production data repository, ProStream. The Corporation's research and development expenses were consistent for the three months ended March 31, 2011 when compared to the same period in 2010.

Finance Costs

For the three months ended March 31	2011	2010
Interest and bank charges	104	139
Net foreign exchange loss	31	2
Unwind of discounts	30	-
Impairment loss on accounts receivable	-	168
	165	309

The exchange loss for the three months ended March 31, 2011 is linked primarily to intercompany advances of a current nature between the Corporation and its US operations and the impact of the declining value of the US dollar in relation to the Canadian dollar during the quarter.

The three months ended March 31, 2010 included a non-recurring charge of \$168 related to a contractual relationship entered into by an acquired company prior to the acquisition date.

Other Operating Costs

For the three months ended March 31	2011	2010
Gain on disposal of property & equipment	(36)	-

Depreciation and Amortization

For the three months ended March 31	2011	2010
Depreciation of property & equipment	191	181
Amortization of intangible assets	307	498
	498	679

Depreciation of property & equipment increased by \$10 due to the impact of acquisitions and other additions, net of disposals and fully depreciated assets.

Amortization of intangibles was \$191 lower for the three months ended March 31, 2011 when compared to the same period in 2010, despite the fact that acquisitions in 2010 would be expected to increase amortization. This difference is attributable primarily to the following:

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

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

For the three months ended March 31	2011	2010
Cost of revenue	139	167
Selling and administrative expenses	359	512
	498	679

Other comprehensive loss/income

For the three months ended March 31	2011	2010
Other comprehensive (loss) income related to foreign currency translation adjustments	(112)	64
	(112)	64

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

OPERATING CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

The following table illustrates how the various components of operating cash flows offset, resulting in a minimal impact on net cash flows.

Operating cash flows for the three months ended March 31	2011	2010
Net earnings	514	510
Adjustments		
Non-cash amounts	417	634
Income taxes	(242)	(32)
Interest	30	-
Change in non cash working capital ⁽¹⁾	(674)	(1,074)
Net cash from operating activities	45	38

Working capital ⁽¹⁾ at March 31, 2011 was \$4,426 compared to \$1,673 at March 31, 2010, an increase of \$2,753. The increase in working capital is broken down as follows:

	2011	2010	Increase (decrease) in working capital
Cash	253	945	(692)
Accounts receivable	8,280	7,736	544
Unbilled revenue	488	316	172
Inventory	4,394	2,763	1,631
Prepaid expenses	1,969	1,800	169
	15,384	13,560	1,824
Operating line of credit	1,005	2,845	1,840
Accounts payable and accrued liabilities	4,777	3,985	(792)
Provisions	203	113	(90)
Unearned revenue	2,192	2,058	(134)
Current portion of long-term debt	2,600	2,726	126
Current portion of deferred lease inducement	181	160	(21)
	10,958	11,887	929
Working capital	4,426	1,673	2,753

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

The following table shows the Corporation's financial liabilities and due dates as of March 31, 2011 inclusive of operating leases:

	2011	2012	2013	2014	2015	Beyond 2015	Total
Operating line of credit	1,005	-	-	-	-	-	1,005
Accounts payable and accrued liabilities	4,777	-	-	-	-	-	4,777
Provisions	176	116	113	100	83	131	719
Long term debt	1,504	2,583	1,468	1,416	-	-	6,971
Commitments	874	1,136	1,060	992	729	1,285	6,076
Total	8,336	3,835	2,641	2,508	812	1,416	19,548

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.

Management's 2011 budget for capital expenditures, not inclusive of any amounts which may be used to fund potential acquisitions is \$550.

Pursuant to the promissory note issued in relation to the acquisition of Gas, the Corporation has agreed with the vendor not to increase the Corporation's operating line above \$5,000 until a total of US\$3,000 has been repaid on the promissory note due to the vendor. This threshold is expected to be met in August 2011.

At March 31, 2011, the Corporation had \$253 of cash on hand and access to \$3,307 of its operating facility to fund its ongoing working capital requirements for 2011. In the event of a material negative change in the Corporation's ongoing business or cash requirements to fund potential acquisitions, further financing may be necessary, the success of which will be dependent upon the Corporation's ability to access the capital markets. Management does not anticipate any impact to the Corporation's liquidity.

FINANCIAL INSTRUMENTS

Fair Value

As at March 31, 2011, the estimated fair values of cash, accounts receivable, operating line of credit, long-term debt, accounts payable and accrued liabilities, and provisions approximated their carrying values.

Credit and Concentration Risk

For the three months ended March 31, 2011 the Corporation derived approximately 17% (2010 – 13%) of its total revenue from the Government of Alberta. As at March 31, 2011, 9% (2010 – 9%) of accounts receivable pertained to this customer. Losses under other trade accounts receivable have been historically insignificant. The credit worthiness of new customers is subject to review by management, and the credit worthiness of existing customers is monitored.

Interest Rate Risk

The Corporation's objective in managing interest rate risk is to monitor expected volatility in interest rates while also minimizing financing expense levels. Interest rate risk mainly arises from fluctuations of interest rates and the impact on the return earned on cash and the expense on floating rate debt. On an ongoing basis, management monitors changes in short-term rates and considers long-term forecasts to assess potential cash flow impacts to the Corporation. A change of 100 basis points in the market interest rate would have had for the three months ended March 31, 2011 an approximate impact on net earnings of \$3. The Corporation does not currently hold any financial instruments to mitigate its interest risk.

Foreign Exchange Rate Risk

The Corporation has a significant US subsidiary. Future fluctuations in the exchange rates could have an effect on the Corporation's business and results of operations. In particular, a further decline in the value of the US dollar relative to the Canadian dollar could have a significant effect on the Corporation's results of operations and cash flows. The Corporation does not currently undertake any exchange rate hedging activities.

A change of 100 basis points in the exchange rate would have had an approximate impact on net earnings of \$16 and other comprehensive income of \$53, for a total of \$69 for the three months ended March 31, 2011. The Corporation does not currently hold any financial instruments to mitigate foreign exchange rate risk.

BUSINESS RISKS

Management of Growth

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

Fluctuation in Quarterly Results

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

Dependence on Management and Key Employees

The Corporation's continued success will depend, to a very significant extent, on the performance and continued services of its senior management and certain other key employees, the loss of any of whom could have a material adverse effect upon the Corporation. In addition, the Corporation has hired a number of key managers within the past number of years and may continue to expand its management team in the future. The Corporation believes that its future success will also depend in large part upon its ability to attract and retain highly skilled technical, managerial and marketing personnel. Competition for such personnel is intense and the Corporation has experienced difficulties in recruiting qualified personnel and may continue to experience such difficulties in the future. There can be no assurance that the Corporation will be successful in attracting and retaining the personnel it requires to continue to maintain and expand its business. The Corporation has key person life insurance on its President and CEO.

Risks Related to Acquisitions

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

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

Protection of Intellectual Property

The Corporation relies primarily on a combination of copyright, trademark and trade secrets laws, confidentiality procedures and contractual provisions to protect its proprietary rights. Substantial portions of the Corporation's sales are derived from outsourced business processes that are intrinsically tied to the Corporation's proprietary software and other intellectual property. The Corporation generally enters into confidentiality agreements with clients and employees. Despite the

Corporation's efforts to protect its proprietary rights, unauthorized parties may attempt to copy and may succeed in copying aspects of the Corporation's products or to obtain and use information that the Corporation regards as proprietary. Furthermore, there can be no assurance that others will not independently develop products similar to those of the Corporation. In addition, the laws of some foreign countries do not protect the Corporation's proprietary rights to as great an extent as do the laws of Canada or the US. There can be no assurance that the Corporation's competitors will not independently develop similar technology or that the Corporation's means of protecting its proprietary rights will be adequate, and consequently the Corporation's business, results of operations, liquidity and financial condition could be materially adversely affected.

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

Contingencies Related to Litigation

The Corporation's press release of September 28, 2010 advised that its subsidiary, CriticalControl Solutions Inc. had been named as a defendant in a lawsuit seeking damages of \$7.5 Million. The lawsuit, related countersuit and crossclaim have been dismissed, on a without costs basis, and each party has executed full release of the other regarding the allegations contained therein.

RISKS RELATED TO THE INDUSTRY

Intense Competition

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

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

As competition increases, the prices that the Corporation charges for its products and services may decline. If the Corporation is not able to compete successfully, the Corporation's business, financial condition 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 three months ended March 31, 2011, the Corporation leased its offices in Stonewood, West Virginia and Indiana, Pennsylvania from an officer of the Corporation. The amount paid was \$39 (2010 - \$39) and was recorded as rent expense. Both leases expire in October 2014.

SUMMARY OF SHARE CAPITAL

Issued and Outstanding

Common shares	Number	Amount
Balance December 31, 2010 and March 31 and May 27, 2011	51,235,012	\$28,973

Options	Number	Weighted-average exercise price
Outstanding December 31, 2010 and March 31 and May 27, 2011:	10,000	\$0.60

Deferred Annual Bonus and Share Purchase Plan Shares	Number	Amount
Outstanding December 31, 2010 and March 31 and May 27, 2011	549,413	\$226

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

- Due to limited resources and number of staff, it is not feasible to achieve complete segregation of duties amongst its staff. This creates a risk that inaccurate recording of amounts could be made and not corrected on a timely basis. The result is that the Corporation is highly reliant on the performance of mitigating procedures and management oversight during its financial close process in order to ensure the financial statements present fairly in all material respects.

- Systems for internal control for businesses acquired in the US have been implemented and are now being refined. Management is in the process of refining the design of internal control over financial reporting to ensure the Corporation's standards are maintained.
- In-house expertise to deal with complex taxation, technical accounting and non-routine transactions is not always sufficient. To mitigate this weakness, the Corporation engages external accounting firms and consultants to assist in advising on the reporting treatment of such transactions.

OUTLOOK & GUIDANCE

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

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

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

During 2010, several new producers entered into the Corporation's market in the North Eastern United States and drilling shifted from conventional wells to the exploration and development of shale plays. The demand on existing infrastructure and available resources resulted in a marked decline in conventional wells in Q1 2011 over Q1 2010. As a consequence of this shift, the demand for traditional dry flow meters declined in favour of electronic flow measurement devices (EFMs), which is an alternative to dry flow meters for the measurement of gas. Whereas the Corporation has a strong market leadership position in the refurbishing and sale of dry flow meters, the market for EFMs is wider and more competitive. In addition, the demand for equipment generated with the exploration of shale plays has resulted in the entry of new competitors who have not traditionally serviced the Corporation's client base in the North Eastern US.

During Q1 2011, the Corporation commenced an expansion of its facility in Indiana, PA in order to better position itself to provide fabrication capability for measurement equipment designed for unconventional gas wells currently being drilled for the development of shale plays. The expansion is expected to be complete by the end of Q3 2011. In an effort to respond to a more competitive marketplace marked by the entry of new competitors, the Corporation is increasing its sales force in this area (a departure from the Corporation's historic reliance on market dominance in the area to facilitate sales). The Corporation's acquisition of GMI was a key factor in this regard.

The delay in certain fabrication sales due to weather conditions in Q1 2011 is expected to generate improved Q2 performance; however, such performance is expected to be below Q2 2010. The Corporation's investment in the expansion of its Indiana, PA facility combined with its investment in sales is expected to bring the Corporation's North Eastern US business back in line with 2010 quarterly results by the end of the year.

Given that the Corporation has managed to maintain its profitability in Q1 2011 compared to Q1 2010 despite a 6% drop in revenue, management is optimistic that with a rebound in its business in the North Eastern US, it will be able to maintain or exceed its 2010 profitability in 2011. Management's outlook in this regard is dependent upon the success of its plan to improve

competitiveness through the expansion of its Indiana, PA facility and improve its sales capability, the success and sufficiency of which cannot be assured.

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

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

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

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

ACCOUNTING POLICIES AND ESTIMATES

Critical Accounting Estimates

Information regarding the use of estimates and judgements is disclosed in Note 2(d) to the March 31, 2011 condensed consolidated interim financial statements.

Changes in Accounting Policies

The March 31, 2011 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These are the Corporation's first IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements, and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The March 31, 2011 condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

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

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

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

Information about new IFRSs and interpretations not adopted is provided in Note 3(p) to the March 31, 2011 condensed consolidated interim financial statements.

Adoption of IFRS

The transition to IFRS consisted of four phases: diagnostic, design, implementation and post-implementation.

Early in 2009, the Corporation commenced with the diagnostic phase of its IFRS transition project. 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 Corporation commenced the second phase of the transition later in 2009 and started researching and preparing position papers. These papers identified and outlined the significant Canadian GAAP/IFRS differences, recommended IFRS accounting policies, and identified implementation choices/issues and first-time adoption considerations across all standards that could impact the financial statements.

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

- With regard to processes and controls to meet ongoing accounting requirements under IFRSs, no material changes were identified.
- With regard to processes and controls to deal specifically with the transition from Canadian GAAP to IFRSs (e.g., preparation of position papers, preparation of opening transition balance sheet, restatement of Canadian GAAP numbers for comparative purposes, preparation of 2011 template disclosures, etc.), the Corporation applied its existing control framework to the changeover process. All accounting policies and transitional financial position impacts were subject to review by senior management and the Audit Committee of the Board of Directors.

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

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

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

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

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

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