

Management Discussion and Analysis

For the Quarter Ended June 30, 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 and six months ended June 30, 2006. This report should be read in conjunction with the Corporation's December 31, 2005 audited consolidated financial statements and the June 30, 2006 interim consolidated financial statements and accompanying notes presented in accordance with Canadian generally accepted accounting principals ("GAAP"), as well as the Corporation's December 31, 2005 MD&A.

This Management Discussion and Analysis is prepared as of August 25, 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 six months ended June 30, 2006:

- On June 30, 2006, the Corporation announced that it had extended repayment of its Series A Debentures in the amount of \$2.7 million due August 20, 2006 such that \$1.7 Million shall be due on August 20, 2007 and repayment of its Series B Debentures in the amount of \$4.25 million due March 31, 2007 has been extended to January 3, 2008. As consideration the Corporation paid Wellington a 1% extension fee and replaced warrants previously granted to Wellington 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. The result of this amendment will save the Corporation \$35 per month non-cash interest expense related to the expensing of the warrants commencing September 2006.
- On April 28, 2006, the Corporation acquired the Remote Data Acquisition ("RDA") Network from Crimtech Services Ltd. ("Crimtech"). The RDA Network, similar to CriticalControl'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.
- 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.

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. Revenue increased by 16% (\$845) in Q2 of 2006 from Q2 of 2005, due primarily to the acquisitions of Netflow (July, 2005), Deines Imaging (November, 2005) and RDA (May 2006).

The Corporation recorded net loss of \$203 for Q2 of 2006 compared to a net income of \$95 for Q2 of 2005. \$227 of the \$298 decline in earnings was due to the fluctuation in the exchange rate between the Canadian and US dollar. In addition, the Corporation has ramped up its research and development associated with the roll out of its Netflow services and has considerably ramped up its investment in sales and support to drive its aggressive expansion in Gas Measurement solutions.

Summary of Quarterly Results

Two Year Summary By Quarter								
Years ended December 31,								
	2006		2005			2004		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	6,106	6,893	5,998	5,258	5,261	3,570	3,780	3,307
Net income (loss)	(203)	97	(140)	(467)	95	(813)	(1,808)	(307)
EBITDA ⁽³⁾	595	880	675 ⁽¹⁾	361	776	(195)	(466) ⁽²⁾	179
Income (loss) per share	0.00	0.00	0.00	0.00	0.00	(0.01)	(0.02)	0.00

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

⁽²⁾ Included a provision of \$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.

Revenue increases in Q2 of 2006 from Q2 of 2005 resulted from both organic growth and the acquisition of NetFlow, acquired July 1, 2005, which added revenue of \$740, Deines, acquired October 31, 2005, adding revenue of \$454 and RDA, acquired May 2006 adding revenue of \$135 in Q2 of 2006.

RESULTS OF OPERATIONS

Comparison of the three months ended June 30, 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 June 30,		Change
	2006	2005	
Revenue:			
Government	\$2,949	\$2,265	30%
Energy	2,946	2,561	15%
Other	211	435	(51%)
	\$6,106	\$5,261	16%

Total revenue increased to \$6,106 for the three months ended June 30, 2006 from \$5,261 for the same period in 2005 – an increase of \$845 or 16%. The acquisition of Netflow in July 2005, Deines in November 2005 and RDA in May 2006 contributed additional revenue of \$780 for the three month period ended June 30, 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 51%, while revenues from the Government and Energy sectors increased 30% and 15%, respectively.

Government

Revenue from the Government sector increased by \$684, from \$2,265 for the three months ended June 2005 to \$2,949 for the same period in 2006. Increased revenue was attributed to:

- \$165 was attributed to the acquisition of Deines Imaging on October 31, 2005.
- The remaining \$519 or 75% of the Government revenue for the three months ended June 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.

On a sequential quarterly basis, revenue dropped \$787 from Q1 2006 to Q2 2006. The \$358 drop in the quarter from the Government Sector was related to strong seasonal sales in the first quarter related to a client push to complete projects by the Government of Alberta fiscal year end of March 31.

Energy

Revenue from the Energy sector increased by \$385, increasing from \$2,561 for the three months ended June 2005 to \$2,946 for the same period in 2006. Increased revenue was attributed to:

- \$740 (of which \$549 was for hardware sales) of the increase resulted from the acquisition of Netflow on July 1, 2005.
- \$105 was attributed to the acquisition of Deines Imaging on October 31, 2005.
- \$135 was attributed to the acquisition of RDA in May 2005.
- On a quarter over quarter basis, revenues 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 Netflow, Deines and RDA was tempered by reduced revenue of \$94 from the consulting & third party hardware / software sales and \$501 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 \$199 for the three months ended June 30, 2006 compared to \$409 for the same period ended June 30, 2005. The decrease is due to the completion of several contracts for implementation of PipeWorks.

On a sequential quarterly basis, the \$334 decrease in the Energy Sector from Q1 2006 was related to a decrease in lower margin hardware sales of electronic flow measurement devices. This decrease was due to a seasonal slowdown in well completions during spring breakup in the oil patch. A revenue weakness in the quarter in the Corporation's Pipeworks group due to project completions was offset by an increase in recurring revenue from the Corporation's gas measurement group.

Cost of Revenue and Gross Margin

	Three months ended June 30,		
	2006	2005	Change
Cost of revenue:			
Government	\$1,641	\$ 1,268	29%
Energy	1,597	1,429	12%
Other	102	295	(65%)
	\$3,340	\$2,992	12%
Gross margin: ⁽¹⁾			
Government	1,308	997	31%
Energy	1,349	1,132	19%
Other	109	140	(22%)
	\$2,766	\$2,269	22%
Gross margin percentage: ⁽¹⁾			
Government	44%	44%	0%
Energy	45%	44%	1%
Other	52%	32%	20%
	46%	43%	3%

⁽¹⁾ Gross margin, defined as Revenue less direct cost of revenue, and gross margin percentage do not have any standardized meaning prescribed by GAAP, and may not be comparable to similar measures used by other companies. Management believes that Gross Margin is a key performance indicator of the operational performance of the Corporation's business and its ability to increase profitability through growth.

For the three months ended June 2006, the cost of revenue increased by 13% and gross margin, defined as Revenue less Cost of Revenue, increased by 20% as a result of the acquisitions and related increase in revenue. As a percentage of revenue, gross margin improved to 45% in 2006 from 43% 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. Cost of Revenue increased by 29% from the three months ended June 2005 to the three months ended June 2006, while revenue increased by 30%. 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 gross margin is sustainable.

Energy

Both Revenue and Cost of Revenue for the Corporation's offering in the Energy Sector increased by 12% from the three months ended June 2005 to the three months ended June 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 addition of RDA enhanced this objective and doubled the number of devices on the network. 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 \$697 and Cost of Revenue of \$607 for the three months ended June 30, 2006. Excluding this non-strategic portion of the Corporation's business from its results, Revenues from the Energy Sector would amount to \$2,249 and Cost of Revenue would come in at \$990, resulting in a gross margin of \$1,259 or 56%.

Given the demand for the Corporation's Netflow service, management expects a 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 June 30,								
Selling & Administrative Expenses	312	65	524	195	960	1,122	1,796	1,382
Research and Development	-	-	241	212	-	-	241	212
Amortization of Property & Equipment	44	44	198	109	29	25	271	178
Amortization of Customer Relationships & Contracts	36	33	80	60	-	-	116	93
Interest, Contract Losses & Other Expenses	-	-	-	-	545	309	545	309
	\$392	\$142	\$1,043	\$576	\$1,534	\$1,044	\$2,969	\$2,174

Selling and Administrative Expenses

Selling and administrative expenses increased by 30% to \$1,796 for the three months ended June 2006 compared to the three months ended June 2005. As with the cost of revenue, the largest component of selling and administrative expenses is salaries, which amounted to \$1,056 for the three months ended June 2006 compared to \$855 for the same period in 2005 – an increase of 24% 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.

Unprecedented economic growth in Alberta generally and in Calgary, Alberta specifically, has led to increased labour and overhead costs. Although labour costs affecting gross margin have been offset through the Corporation's investment in its technologies, the negative affect of increased costs will continue to impact Selling and Administrative Expenses.

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 \$212 for the three months ended June 2005 to \$241 for the same period in 2006. Notwithstanding the forgoing, the Corporation has set out an aggressive development plan for its gas measurement group and as such, overall research and development has increased. The Corporation intends to continue investment in its proprietary technologies at a growing rate in 2006, however, Research and Development as a percentage of overall revenue is expected to decline in 2007.

Amortization

Amortization of Property and Equipment increased from \$178 for the three months ended June 2005 to \$271 for the same period in 2006. The increase was mostly due to more property and equipment from acquisitions. Amortization of Customer Relationships & Contracts increased from \$93 for the three months ended June 2005 to \$116 for the same period in 2006 primarily due to amortization of the Customer Relationships & Contracts from new acquisitions. Contracts associated with earlier acquisitions made by the Corporation in the Government sector were fully amortized.

Total amortization increased in the Corporation's Energy business by 81%. 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 remained consistent for the three months ended June 2006 at \$411 for Q2 in 2006 (\$410 for Q2 in 2005). \$196 (or 47%) of the Q2 interest expense was non-cash related to Warrants issued in conjunction with the financing compared with \$198 (or 48%) for the comparable period in 2005. The non-cash interest expense will be fully accreted by December 2007. The Corporation's total debt of \$6,950 can be repaid without penalty at any time, but is due in August 2006 (\$1,000), August 2007 (\$1,700) and January 2008 (\$4,250). Management anticipates being able to reduce overall debt coverage costs as the debt becomes payable.

Net Loss

The Corporation's net loss for the three months ended June 30, 2006 was \$203, a decrease of \$298 over the net income of \$95 for the three months ended June 2005. The overall gross margin improved by \$454, however the operating expenses also increased by \$752.

RESULTS OF OPERATIONS

Comparison of the Six months ended June 30, 2006 and 2005

Revenue

	Six months ended June 30,		
	2006	2005	Change
Revenue:			
Government	\$6,256	\$4,066	54%
Energy	6,229	3,809	64%
Other	514	956	(46%)
	\$12,999	\$8,831	47%

Total revenue increased to \$12,999 for the six months ended June 30, 2006 from \$8,831 for the same period in 2005 – an increase of \$4,168 or 47%. The acquisition of BMP Energy in March 2005, Netflow in July 2005, Deines in November 2005 and RDA in May 2006 contributed additional revenue of \$2,843 for the period ended June 30, 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 46%, while revenues from the Government and Energy sector increased 54% and 64%, respectively.

Government

Revenue from the Government sector increased by \$2,190, from \$4,066 for the six months ended June 2005 to \$6,256 for the same period in 2006. Increased revenue was attributed to:

- \$383 was attributed to the acquisition of Deines Imaging on October 31, 2005.
- The remaining \$1,807 or 82% of the Government Revenue for the six months ended June 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 \$2,420, increasing from \$3,809 for the six months ended June 2005 to \$6,229 for the same period in 2006. Increased revenue was attributed to:

- \$1,302 of the increase resulted from the acquisition of BMP Energy on March 31, 2005.
- \$1,833 of the increase resulted from the acquisition of Netflow on July 1, 2005 of which \$1,491 was from hardware sales.
- \$135 was attributed to the acquisition of RDA on May 1, 2006.
- Growth from the acquisitions of BMP, Netflow and Deines was tempered by reduced revenue of \$122 from the consulting & third party hardware / software sales and \$728 from the Corporation's proprietary pipeline operations applications ("PipeWorks").

- Revenue from U.S. customers was \$393 for the six months ended June 30, 2006 compared to \$848 for the same period ended June 30, 2005. The decrease is due to the completion of several contracts for implementation of PipeWorks.

Cost of Revenue and Gross Margin

	Six months ended June 30,		
	2006	2005	Change
Cost of revenue:			
Government	\$3,416	\$2,724	25%
Energy	3,491	2,180	60%
Other	239	589	(59%)
	\$7,146	\$5,493	30%
Gross margin: ⁽¹⁾			
Government	2,840	1,342	112%
Energy	2,738	1,629	68%
Other	275	367	(25%)
	\$5,853	\$3,338	75%
Gross margin percentage: ⁽¹⁾			
Government	45%	33%	12%
Energy	44%	43%	1%
Other	53%	38%	15%
	46%	38%	8%

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

For the six months ended June 2006, the cost of revenue increased by 31% and gross margin, defined as Revenue less Cost of Revenue, increased by 74% as a result of the acquisitions and related increase in revenue. As a percentage of revenue, gross margin improved to 45% in 2006 from 38% 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 25% from the six months ended June 2005 to the six months ended June 2006, while revenue increased by 54%. 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.

Energy

Cost of Revenue for the Corporation's offering in the Energy Sector increased by 60% from the six months ended June 2005 to the six months ended June 2006 while revenue increased by 64%. 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 well site and using the same software, to control various electronic devices at the well site. The addition of RDA enhanced this objective and doubled the number of devices on the network. 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 \$1,755 and Cost of Revenue of \$1,474. Excluding this non-strategic portion of the Corporation's business from its results, Revenues from the Energy Sector would amount to \$4,474 and Cost of Revenue would come in at \$2,017, resulting in a gross margin of \$2,457 or 55%.

Given the demand for the Corporation's Netflow service, management expects a 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 six months ended June 30,								
Selling & Administrative Expenses	625	130	1,188	380	1,970	1,898	3,783	2,408
Research and Development	-	-	458	419	-	-	458	419
Amortization of Property & Equipment	86	82	388	193	57	47	531	322
Amortization of Customer Relationships & Contracts	88	292	134	60	-	-	222	352
Interest, Contract Losses & Other Expenses	-	-	-	-	965	555	965	555
	\$799	\$504	\$2,168	\$1,052	\$2,992	\$2,500	\$5,959	\$4,056

Selling and Administrative Expenses

Selling and administrative expenses increased by 57% to \$3,783 for the six months ended June 2006 compared to the six months ended June 2005. As with the cost of revenue, the largest component of selling and administrative expenses is salaries, which amounted to \$2,337 for the six months ended June 2006 compared to \$1,340 for the same period in 2005 – an increase of 74 % 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 \$419 for the six months ended June 2005 to \$458 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 \$322 for the six months ended June 2005 to \$531 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 \$352 for the six months ended March 2005 to \$222 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.

Total amortization increased in the Corporation's Energy business by 123%. 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 six months ended June 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 \$626 for the first six months in 2005 to \$829 for the first six months in 2006, or 32%. \$ 392 (or 47 %) of the interest expense was non-cash related to Warrants issued in conjunction with the financing compared with \$ 303 (or 48%) for the comparable period in 2005. The non-cash interest expense will be fully accreted by December 2007. The Corporation's total debt of \$6,950 can be repaid without penalty at any time, but is due in August 2006 (\$1,000), August 2007 (\$1,700) and January 2008 (\$4,250). Management anticipates being able to reduce overall debt coverage costs as the debt becomes payable.

Net Loss

The Corporation's net loss for the six months ended June 2006 was \$106, an improvement of \$612 over the loss of \$718 for the six months ended June 2005. The overall gross margin improved by \$2,472 whereas the operating expenses increased by only \$1,860.

Liquidity and Capital Resources

The Corporation recorded a decrease in cash of \$553 for the six months ended June 2006 compared to an increase of \$3,218 for the same period in 2005.

Cash flow generated from operating activities for the six months ended June, 2006 amounted to \$302 compared to cash flow usage of \$192 for the same period in 2005. Cash flows used for financing activities was \$61 for the six months ended June 2006 compared to cash flows of \$8,163 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 term loans were reduced by \$152 for the six months ended June 2006 compared to \$116 for the same period ended in 2005.

Cash used in investing activities for the six months ended June 2006 was \$794 and \$4,753 for the same period in 2005. \$299 was used to acquire capital assets and \$495 was used for the RDA acquisition. For the period ended June 2005, \$4,356 was related to acquisitions, while cash used to acquire capital assets was \$397.

Working Capital decreased from \$5,931 at June 30, 2005 to \$4,280 at June 30, 2006. In 2005 the Corporation's growth and related financing activities secured additional financing to provide additional working capital and to fund the BMP, Netflow, Deines and RDA acquisitions. Management expects continued improvement in cash flow in 2006 from all parts of the business.

FINANCIAL INSTRUMENTS

Fair value

As at June 30, 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 six months ended June 2006 the Corporation derived approximately 31% (2005 - 23%) of its total revenue from the Government of Alberta. As at June 30, 2006, 17% (2005 - 27%) 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 six months ended June 30, 2006, approximately \$393 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 August 9, 2006, CriticalControl acquired 100% of the outstanding shares of ProTrend Software Inc. for \$1,175 in cash and shares of CriticalControl, subject to working capital adjustments. \$775 of the purchase price was paid in cash and 1,843,318 shares of CriticalControl were issued to the vendors. An addition \$108 will be payable over 3 years based upon certain performance criteria. The primary component of CriticalControl's offering to its gas producer client base is gas measurement and well site monitoring and control services. ProTrend provides software to effectively manage gas and liquid analyses ("Fluid Analyses") for the same measurement points. Fluid Analyses provide a breakdown of the components of gas produced at the well site and is used in combination with measurement data to account for value of gas at each measurement point for both production and joint venture accounting purposes.

Regulatory requirements require fluid analysis to be completed on at least an annual basis. ProTrend is the pioneer in enabling gas producers to manage both the scheduling of the sample for fluid analysis and the management of the composition data electronically. The ProTrend Software is offered as a hosted service and accepts fluid analysis data electronically from each of the major fluid analysis laboratories in Canada, thus acting as the primary repository of the fluid analysis data for each client. The fluid analysis can then be electronically disseminated to gas measurement service providers as well as field data capture applications, production accounting, joint venture accounting and financial accounting packages. In addition to electronically interfacing with ScanGas and Netflow, ProTrend is already interfaced with the other major gas measurement service providers in Canada.

Revenue from ProTrend for the 6 months ended June 30, 2006 was \$232, compared to \$160 for the same period in 2005. Similarly, earnings before interest, taxes, depreciation and amortization from ProTrend for the 6 months ended June 30, 2006 were \$54, compared to \$26 for the same period in 2005.

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.

Access to Labour

The strong economy in Alberta generally has resulted in the reduction of available labour resources to fill many vacancies. This has resulted in a significant increase in costs and competition for resources. A continued increase in costs would directly affect the Corporation's competitive position and ability to perform services.

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	209,659	37
Issued on exercise of warrants	645,500	80
Issued on acquisition of RDA	189,655	55
Balance, June 30, 2006	127,166,085	\$23,176
Issued on exercise of options	6,000	1
Issued on exercise of warrants	428,413	49
Issued on acquisition of ProTrend	1,843,318	400
Balance, August 25, 2006	129,443,816	\$23,626

Stock Options

	Number of options	Weighted-average exercise price
Outstanding, December 31, 2005	5,166,433	\$0.15
Granted	12,500	0.29
Exercised	(209,666)	0.10
Cancelled	(803,667)	0.28
Outstanding, June 30, 2006	4,165,600	\$0.13
Exercisable, June 30, 2006	3,266,069	\$0.13
Granted in Q3-2006	100,000	0.20
Exercised in Q3-2006	6,000	0.10
Outstanding, August 25, 2006	4,259,600	\$0.13
Exercisable, August 25, 2006	3,260,069	\$0.13

Warrants and Special Warrants

	Number of warrants	Weighted-average exercise price
Outstanding, December 31, 2005	27,166,823	\$0.27
Exercised	(645,500)	0.11
Expired	(1,000,000)	0.90
Outstanding, June 30, 2006	25,521,323	\$0.23
Exercised	(428,413)	0.11
Outstanding, August 25, 2006	25,092,910	\$0.23

OUTLOOK & GUIDANCE

The net loss for the 3 months ended June 30, 2006 included a loss of \$133 from the drop in the value of the US dollar and \$196 non cash interest on the Corporation's debentures to Wellington Financial. 48% of the loss from the drop in the value of the US dollar was a result of a loss arising from the Corporation's US cash on hand, which have since been converted to Canadian dollars in an effort to reduce the Corporation's exposure to foreign exchange risk. On June 30, 2006 the Corporation announced an amendment and extension of the Corporation's debentures to Wellington Financial. As a result of such change, the non-cash interest charges are expected to decrease from \$196 for the 3 months ended June 30, 2006 to \$90 for the 3 months ended September 30, 2006 and to \$90 for each quarter thereafter.

The labour market in Alberta has negatively impacted the Corporation's Cost of Goods and Selling and Administrative Expenses for the three months ended June 30, 2006. However, the negative effect on Gross Margins was offset by an ongoing effort to increase productivity through the implementation of technology. 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.

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 the first two quarters 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.

Management believes the Corporation has developed a market leadership position in gas measurement, providing measurement services for 40,000 measurement points for over 250 clients. The Corporation's measurement services include gas chart integration through its proprietary ScanGas application and gas well monitoring and control through the Corporation's proprietary NetFlow application. The Corporation is executing a two-fold strategy designed to fuel growth into 2007: First to increase the number of measurement points being serviced; then to provide value added services to increase the net revenue derived from each measurement point.

The acquisition of the RDA Network in May 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. ProTrend provides a gas producer with the ability to manage fluid analysis data, which together with measurement data, are the key components of accounting for revenues from a well.

In August 2006, ProTrend provided services for 31,000 measurement points to 14 clients. Of the 31,000 measurement points on the ProTrend database, 26,000 of them were new to CriticalControl, and 5,000 were already serviced by CriticalControl for gas measurement and or well site control purposes. The ability to cross sell CriticalControl's expanded services within both client bases, 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.

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 June 30, 2006

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Jack Ladick	Vice President, Information Management Solutions
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Tim Walker	Vice President, Professional Services
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