Q2 2016

Condensed Consolidated Interim Financial Statements

Critical Control Energy Services Corp.

June 30, 2016

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements.

CRITICAL CONTROL

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at ($ thousands) - unaudited	Note	June 30, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		**321**	815
Accounts receivable		**8,360**	11,598
Unbilled revenue		**407**	182
Inventory		**2,891**	3,179
Prepaid expenses		**255**	362
		12,234	16,136
Deposits		**157**	162
Tax credit recoverable		**758**	668
Deferred income taxes		**2,745**	2,350
Property and equipment		**3,762**	4,252
Intangible assets and goodwill		**20,051**	20,750
		39,707	44,318
Liabilities			
Current liabilities			
Bank indebtedness	6	**5,721**	7,079
Accounts payable and accrued liabilities		**3,898**	4,361
Deferred revenue		**671**	682
Current portion of provisions	5	**370**	811
Current portion of long-term debt	6	**1,241**	5,042
Current portion of deferred lease inducements		**25**	25
		11,926	18,000
Provisions	5	**42**	172
Long-term debt	6	**3,601**	56
Deferred lease inducements		**61**	74
		15,630	18,302
Shareholders' Equity			
Common shares		**31,738**	31,720
Contributed surplus		**1,684**	1,632
Accumulated other comprehensive income		**1,767**	1,866
Deficit		**(11,112)**	(9,202)
		24,077	26,016
		39,707	44,318

(See Notes to the Condensed Consolidated Interim Financial Statements)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

($ thousands) - unaudited	Note	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue	8	**7,854**	10,747	**16,976**	20,226
Expenses					
Operating expense	11	**4,663**	6,738	**10,175**	12,657
General and administrative	11	**2,512**	3,320	**5,483**	6,344
Research and development		**116**	249	**483**	697
Foreign exchange	11	**(59)**	65	**668**	(368)
Depreciation and amortization		**552**	732	**1,123**	1,274
Loss (gain) on sale of asset		**19**	-	**12**	-
Other expenses	9	**384**	678	**647**	695
		(333)	(1,035)	**(1,615)**	(1,073)
Finance costs	11	**327**	102	**627**	205
Loss before income taxes		**(660)**	(1,137)	**(2,242)**	(1,278)
Income taxes (recovery)		**(226)**	(256)	**(427)**	(267)
Loss before discontinued operations		**(434)**	(881)	**(1,815)**	(1,011)
Income from discontinued operations, net of tax	6	**95**	16	**95**	(703)
Net (loss) income		**(529)**	(897)	**(1,910)**	(308)
Other comprehensive income (loss)					
Foreign currency translation adjustment, net of tax		**29**	(133)	**(99)**	465
		29	(133)	**(99)**	465
Total comprehensive income (loss)		**(500)**	(1,030)	**(2,009)**	157
Earnings per share					
Net earnings					
Basic / Diluted		**(0.01)**	(0.02)	**(0.03)**	(0.01)
Net earnings - continuing operations					
Basic / Diluted		**(0.01)**	(0.02)	**(0.03)**	(0.02)

(See Notes to the Condensed Consolidated Interim Financial Statements)

CONSOLIDED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2016 and 2015

($ thousands) - unaudited	Common Shares	Contributed surplus	Accumulated other comprehensive income [1]	Deficit	Total equity
Balance at December 31, 2015	**31,720**	**1,632**	**1,866**	**(9,202)**	**26,016**
Comprehensive income (loss)	**-**	**-**	**(99)**	**(1,910)**	**(2,009)**
Employee share purchase plan proceeds	**-**	**6**	**-**	**-**	**6**
Shares issued from treasury under employee share purchase plan	**18**	**(18)**	-	-	**-**
Share-based payments	**-**	**64**	**-**	**-**	**64**
Balance at June 30, 2016	**31,738**	**1,684**	**1,767**	**(11,112)**	**24,077**
Balance at December 31, 2014	31,463	1,590	(5,679)	634	28,008
Comprehensive income (loss)	-	-	465	(308)	157
Employee share purchase plan proceeds	-	(5)	-	-	(5)
Shares issued from treasury under deferred common shares	92	(92)	-	-	-
Shares issued from treasury under employee share purchase plan	3	(3)	-	-	-
Share-based payments	-	145	-	-	145
Balance at June 30, 2015	31,558	1,635	(5,214)	326	28,305

[1] Accumulated other comprehensive income (loss) consist of foreign currency translation adjustment, net of tax. All amounts will be reclassified to profit or loss when specific conditions are met.

(See Notes to the Condensed Consolidated Interim Financial Statements)

CRITICAL CONTROL

CONSOLIDATED STATEMENTS OF CASH FLOW			
For the six months ended June 30,			
($ thousands) - unaudited	**Note**	**2016**	2015
Cash flows provided by (used in)			
Operating activities			
Loss before discontinued operations		**(1,815)**	(1,011)
Adjustments for:			
Depreciation and amortization		**1,123**	1,274
Loss (gain) on sale of asset		**12**	-
Foreign exchange	11	**668**	(368)
Finance costs		**627**	205
Income taxes (recovery)		**(427)**	(267)
Bargain purchase price		**-**	(762)
Other		**74**	154
Income taxes - paid		**(11)**	(114)
Income taxes - recovery		**124**	-
Interest - paid		**(344)**	(131)
Funds (used in) provided by continuing operations		**31**	(1,020)
Change in non-cash working capital		**1,920**	(864)
		1,951	(1,884)
Investing activities			
Purchase of measurement services, net assets	3	**-**	(1,973)
Acquisition of business, net assets	3	**(54)**	-
Purchase of property and equipment		**(234)**	(335)
Purchase of software		**(144)**	(14)
Proceeds on sale of property and equipment		**15**	-
Additions to product development costs		**(461)**	(441)
		(878)	(2,763)
Financing activities			
Proceeds from employee share purchase plan		**6**	(5)
Proceeds from bank indebtedness		**25,103**	3,588
Repayment of bank indebtedness		**(26,791)**	(341)
Proceeds from long-term debt		**3,000**	-
Repayment of long-term debt		**(2,934)**	(626)
		(1,616)	2,616
Cash flow from discontinued operations	4	**-**	3,324
Effect of translation of foreign currency cash		**49**	42
Net (decrease) increase in cash		**(494)**	1,335
Cash and cash equivalents, beginning of period		**815**	1,805
Cash and cash equivalents, end of period		**321**	3,140

(See Notes to the Condensed Consolidated Interim Financial Statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STRUCTURE OF CORPORATION

Organization

Critical Control Energy Services Corp. (the "Corporation" or "Critical Control") is incorporated in Alberta and domiciled in Canada. The registered address of the Corporation is 1400, 350 – 7 Avenue SW, Calgary, Alberta T2P 3N9. Critical Control is a publicly-traded company listed on the Toronto Stock Exchange ("TSX") under symbol "CCZ".

These condensed consolidated interim financial statements of the Corporation as at and for the three and six month period ended June 30, 2016, are available upon request from the Corporation's head office at Suite 800, 140 – 10th Avenue SE, Calgary, Alberta, Canada T2G 0R1, at www.criticalcontrolenergy.com or at www.sedar.com.

Operations

Critical Control provides solutions for the collection, control, and analysis of measurement and operational data related to the oil and gas wells across North America. We provide services to capture data, cloud-based software to visualize and manage it, and business intelligence to make quicker and more informed operational decisions.

In assessing performance of the segments and the allocation of resources to the segments, executive management evaluates gross margin, operating income, and earnings (loss) before tax directly attributable to each segment. All of the Corporation's identifiable assets are located in Canada and the United States.

The reportable segments are managed separately because of the unique characteristics and requirements of each business.

The Software business provides the following services to its upstream and midstream oil and gas clients:

- ***Measurement Data Management***: Gas chart integration and reporting; web-based monitoring and control of electronic devices at the well site; and cost-efficient data validation.
- ***Regulatory Compliance and Risk Management***: Integrated pipeline and asset profiles management; intelligent fluid analysis management; and streamlined, auditable meter calibration.
- ***Production and Financial Accounting***: Production accounting; financial and joint interest accounting; capital projects management; land and contracts management; production asset management; and facility processing contract management.

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

- ***Gas Measurement Field Services***: inclusive of natural gas meter installation, calibration, and monitoring.
- ***Gas and Liquid Analysis***: gas composition management services including gas sample analysis and data management tools;
- ***Certification and Proving***: calibration and certification of measurement meters and gas measurement equipment.
- ***Equipment and Fabrication***: assembly and sale of gas measurement and related equipment.

2. BASIS OF PREPARATION

Statement of compliance:

These condensed consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements. These condensed consolidated interim financial statements were prepared using International Accounting Standard (IAS) 34 - Interim Financial Reporting as at and for the period ended June 30, 2016. These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors as of August 11, 2016.

These condensed consolidated interim financial statements were prepared by management and follow the same accounting policies and methods as the audited consolidated financial statements as at and for the year-ended December 31, 2015, as described in Note 27. These condensed consolidated interim financial statements do not contain all of the disclosures required for the annual consolidated financial statements. As a result, these condensed consolidated interim financial statements should be read in conjunction with the Corporation's previous annual consolidated financial statements for the year-ended December 31, 2015, prepared in accordance with IFRS as issued by the IASB.

Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis.

Functional and presentation currency:

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in dollars has been rounded to the nearest thousand except for share and per share amounts.

Use of estimates and judgments:

The preparation of the condensed consolidated interim financial statements requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are continually evaluated and are based on historical experience and expectations of future events. While judgments and estimates used by Critical Control are believed to be reasonable under current circumstances, actual results could differ. The Corporation has applied significant judgments on a basis consistent with the prior year.

3. ACQUISITIONS

The acquisitions and business combinations have been accounted for using the acquisition method under IFRS 3, and the results of operations have been included in the consolidated statements of operations and comprehensive income (loss) from the date of acquisition.

Acquisition of ScadaView

Effective February 10, 2016, the Corporation acquired, through its subsidiary, Critical Control Energy Services Inc., certain assets of ScadaView Data (Canada) Corp. of Calgary, Alberta related to field data capture. The purchase price was $0.1 million, of which 20% was paid in February 2016 with the remainder to be paid October 1, 2016. The net assets will be allocated to the Software operating segment. Revenue and earnings before income taxes generated from the acquisition are minimal. The pro-forma revenue and earnings before income taxes are estimated to be minimal.

External legal fees and due diligence costs in relation to the acquisition were minimal. These cost have been included in other expenses in the condensed consolidated interim financial statements.

Measurement services acquisition

Effective April 1, 2015, the Corporation acquired, through its subsidiary, Gas Analytical Services, Inc., certain assets of Legacy Measurement Solutions, Inc. of Dallas, Texas relating to the interpretation of gas charts, the provision of gas and liquids analysis, and the provision of measurement related field services ("Measurement Services Acquisition"). The purchase price of US$2.0 million was paid 80% on the first closing with the remainder paid on the second closing date of December 15, 2015.

The net assets acquired have been allocated to the Software and Services operating segments. Revenue generated from the net assets for the three and six months ended June 30, 2016 are US$1.3 million and US$2.6 million, respectively (2015: US$1.5 million and US$1.5 million, respectively). Earnings before income tax contributed from the net assets for the three and six months ended June 30, 2016 are US$0.1 million and US$0.2 million, respectively (2015: US$0.1 million and US$0.1 million, respectively).

The gain on the acquisition is attributed mainly to the onerous leases that were acquired as part of the acquisition related to three office leases in areas that the Corporation does not currently plan to utilize due to underdeveloped market opportunities in the area. These onerous leases were added to the provisions in the second quarter of 2015.

Field services acquisition

Effective December 4, 2015, the Corporation acquired, through its subsidiary, Gas Analytical Services, Inc., certain assets of Fleaux Services of Louisiana, L.L.C. of Shreveport, Louisiana related to gas measurement field services. The purchase price was US$0.2 million, of which US$0.2 million was paid in December 2015 with the remainder to be paid July 2016.

The net assets acquired have been allocated to the Services operating segment. Revenue generated from the net assets for the three and six months ended June 30, 2016 are US$0.1 million and US$0.2 million, respectively (2015: $Nil). Earnings before income tax contributed from the net assets for the three and six months ended June 30, 2016 are less than $0.1 million (2015: $Nil).

4. DISCONTINUED OPERATIONS

Through a series of transactions in March and May of 2015, Critical Control sold its Service Bureau Operations segment. Management committed to a plan to sell this segment before March 31, 2015, following a strategic decision to place greater focus on the Corporation's key competencies – being the Energy Services businesses in Canada and the US. The comparative consolidated statement of operations and comprehensive income (loss) for the three months ended March 31, 2015 and related disclosures have been restated to present the discontinued operations separately from continuing operations.

On March 12, 2015, the Corporation announced the sale of a portion of its Service Bureau Operations, specifically the operations based in Quebec, Ontario, and Manitoba, for gross proceeds of $1.0 million under an asset sale. On March 27, 2015, the Corporation announced closing of the sale of another component of its Service Bureau Operations, specifically the operations consisting of reselling imaging equipment, preventative maintenance contracts, and third party document imaging software, for gross proceeds of $1.7 million. On May 4, 2015, the Corporation announced the sale of the final component of its Service Bureau Operations, specifically the operations based in Alberta, for gross proceeds of $1.3 million.

Under the terms of the three asset purchase agreements, all accounts receivable, liabilities and certain other working capital associated with the businesses prior to the sale were retained by the Corporation, other than a portion of the Corporation's onerous lease obligations that was assumed by the purchaser.

The gain on sale of discontinued operations is net of a goodwill impairment loss of $0.3 million.

	Three months ended June 30,		Six months ended June 30,	
($ thousands) - unaudited	**2016**	2015	**2016**	2015
Revenue	**-**	453	**-**	3,280
Expenses				
Operating expense	**-**	293	**-**	2,346
General and administrative	**-**	154	**-**	826
Foreign exchange	**-**	(10)	**-**	2
Depreciation and amortization	**-**	-	**-**	44
Loss (gain) on disposal of assets	**95**	(12)	**95**	(1,468)
Other expenses	**-**	210	**-**	274
	(95)	(182)	**(95)**	1,256
Finance costs	**-**	1	**-**	1
Earning (loss) before income taxes	**(95)**	(183)	**(95)**	1,255
Income taxes	**-**	(167)	**-**	552
Net (loss) income	**(95)**	(16)	**(95)**	703

The cash flow from discontinued operations is as follows:

For the three and six months ended June 30,		
($ thousands)	**2016**	2015
Cash flows from (used in) discontinued operations		
Operating activities	**(95)**	1,258
Loss (gain) on disposal of assets	**95**	(1,468)
Investing activities	**-**	3,534
Net cash flow	**-**	3,324

5. PROVISIONS

($ thousands)	**Onerous Leases**	**Onerous Contract**	**Total**
Balance as at December 31, 2015	**783**	**200**	**983**
Provision used during the period	**(324)**	**(150)**	**(474)**
Change in estimate	**(76)**	**-**	**(76)**
Effect of movement in exchange rates	**(21)**	**-**	**(21)**
Balance as at June 30, 2016	**362**	**50**	**412**
Current portion	**320**	**50**	**370**
Long-term portion	**42**	**-**	**42**

In the first quarter of 2016, the lease located in Fort Lupton, CO was added to onerous leases, as a change in estimate.

In the second quarter of 2016, the lease located in Muncy, PA lease was settled and deducted from onerous leases, as a change in estimate.

The Corporation does not currently plan to utilize the leased locations due to underdeveloped market opportunities, and has thus recognized an onerous lease provision. The net obligation of the onerous leases has been estimated based on sublease agreements expected to be in place. The provision is based on management's best estimate of the sublease rates that will be negotiated, the timing, and the discount rates.

The onerous contract provision relates to a significant ProMonitor Schematics implementation project in the Software operating segment. The project started in late 2013 and is scheduled to be completed in 2017. The provision is reviewed and reassessed on a periodic basis by management. In 2016, the Corporation determined that a reduction of less than $0.1 million was appropriate based on revised estimates of costs to complete and future revenue to be recognized.

6. LONG-TERM DEBT

As at ($ thousands)	Note	June 30, 2016	December 31, 2015
Demand term loans	b	**-**	2,614
Secured bank term loan	b	**3,000**	-
Secured bank term loan	c	**1,709**	2,245
Secured finance contracts		**131**	225
Finance lease liabilities		**2**	14
		4,842	5,098
Current portion		**1,241**	5,042
Long-term portion		**3,601**	56

On April 15, 2016, the Corporation entered into a revised credit facility agreement with its lender. Significant details of the facility are summarized below.

(a) A revolving demand operating credit up to $8.5 million to support working capital requirements in Canada and the US.

(b) On May 9, 2016, the demand term loan was repaid and replaced with a $3.0 million committed term loan. This committed term loan matures on April 30, 2019. The Corporation shall make interest only payments for the first twelve months. Beginning in May 2017, the Corporation shall start making monthly principal payments.

(c) A committed term loan of US$1.3 million to fund repayment of the Corporation's previous bank term loan and unsecured promissory note. This committed term loan matures on April 30, 2018. Interest is also payable monthly, calculated at the same rates as the US dollar demand operating credit.

The credit facility is secured by the following:

- A general security agreement creating a first-priority security interest in all present and future undertaking and personal property of the Corporation; and
- Upstream guarantees from all material subsidiaries of the Corporation, secured by general security agreements and UCC filings as considered appropriate.
- A guarantee from Export Development Canada (EDC) with respect to the $3.0 million committed term loan.

The credit facility agreement requires adherence to certain financial covenants, including a Debt to Capitalization ratio not to exceed 0.36 to 1.00 and a minimum Adjusted Debt Service ratio of 0.80 in the first quarter of 2016, stepping up to 1.25 in the second quarter of 2016. As at June 30, 2016, the Corporation is in compliance with its financial covenants.

7. EARNINGS PER SHARE

Basic earnings per share for the three and six months periods ended June 30, 2016 and 2015 is based on the net earnings attributable to shareholders, as reported in the consolidated statements of operations and comprehensive income (loss), and the weighted average number of common shares outstanding in the period.

Diluted earnings per share for the three and six months ended June 30, 2016 and 2015 is based on the net earnings attributable to shareholders as reported in the consolidated statements of operations and comprehensive income (loss) and basic weighted average number of common shares outstanding, both adjusted for dilutive factors as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Weighted average of common shares				
Basic	**58,097,546**	57,544,368	**58,082,403**	57,522,067
Diluted	**58,097,546**	57,544,368	**58,082,403**	57,522,067

The average market value of the Corporation's shares for purposes of calculating the dilutive effect of deferred common shares was based on quoted market prices for the period during which the deferred common shares were outstanding. The following potential common shares were excluded from the weighted average number of common shares outstanding (diluted) for 2016 because they were antidilutive:

- 1,751,635 deferred common shares;
- 343,715 shares reserved under the Employee Share Purchase Plan; and
- 125,000 common shares to be issued from treasury on September 27, 2016.

8. REVENUE

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2016**	2015	**2016**	2015
Recurring	**6,403**	7,842	**13,737**	13,616
Non-recurring	**1,451**	2,905	**3,239**	6,610
	7,854	10,747	**16,976**	20,226

9. OTHER EXPENSES

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2016**	2015	**2016**	2015
Acquisition related charges	**14**	139	**25**	152
Bargain purchase price	**-**	(762)	**-**	(762)
Provision of onerous lease	**(137)**	598	**(76)**	598
Termination benefits	**63**	703	**254**	707
Other non-recurring expenses	**444**	-	**444**	-
	384	678	**647**	695

During the second quarter of 2016, the Corporation had a Microsoft license audit and incurred a one-time charge relating to 2013 to 2015 activities of $0.4 milllion which was recorded in other non-recurring expenses.

10. SEGMENTED INFORMATION

The following presents the result of Critical Control's operating segments:

Three months ended June 30, ($ thousands)	Software 2016	Software 2015	Services 2016	Services 2015	Corporate 2016	Corporate 2015	Total 2016	Total 2015
Revenue								
Recurring	**3,965**	4,648	**2,438**	3,194	**-**	-	**6,403**	7,842
Non-recurring	**391**	388	**1,060**	2,517	**-**	-	**1,451**	2,905
	4,356	5,036	**3,498**	5,711	**-**	-	**7,854**	10,747
Expenses								
Operating expense	**1,883**	2,406	**2,780**	4,332	**-**	-	**4,663**	6,738
Research and development	**116**	249	**-**	-	**-**	-	**116**	249
Depreciation and amortization	**369**	456	**183**	276	**-**	-	**552**	732
Loss on sale of asset	**19**	-	**-**	-	**-**	-	**19**	-
	2,387	3,111	**2,963**	4,608	**-**	-	**5,350**	7,719
	1,969	1,925	**535**	1,103	**-**	-	**2,504**	3,028
General and administrative	**-**	-	**-**	-	**2,512**	3,320	**2,512**	3,320
Foreign exchange	**-**	-	**-**	-	**(59)**	65	**(59)**	65
Other expenses	**-**	-	**-**	-	**384**	678	**384**	678
Finance costs	**-**	-	**-**	-	**327**	102	**327**	102
Income taxes	**-**	-	**-**	-	**(226)**	(256)	**(226)**	(256)
Discontinued operations	**-**	-	**-**	-	**95**	16	**95**	16
Net loss	**1,969**	1,925	**535**	1,103	**(3,033)**	(3,925)	**(529)**	(897)
Purchase of property, equipment, and intangible assets	**69**	198	**13**	1,973	**-**	-	**82**	2,171

For six months ended June 30, ($ thousands)	Software 2016	Software 2015	Services 2016	Services 2015	Corporate 2016	Corporate 2015	Total 2016	Total 2015
Revenue								
Recurring	**8,178**	9,000	**5,559**	4,616	**-**	-	**13,737**	13,616
Non-recurring	**800**	726	**2,439**	5,884	**-**	-	**3,239**	6,610
	8,978	9,726	**7,998**	10,500	**-**	-	**16,976**	20,226
Expenses								
Operating expense	**4,041**	4,547	**6,134**	8,110	**-**	-	**10,175**	12,657
Research and development	**483**	697	**-**	-	**-**	-	**483**	697
Depreciation and amortization	**739**	895	**384**	379	**-**	-	**1,123**	1,274
Loss on sale of asset	**12**	-	**-**	-	**-**	-	**12**	-
	5,275	6,139	**6,518**	8,489	**-**	-	**11,793**	14,628
	3,703	3,587	**1,480**	2,011	**-**	-	**5,183**	5,598
General and administrative	**-**	-	**-**	-	**5,483**	6,344	**5,483**	6,344
Foreign exchange	**-**	-	**-**	-	**668**	(368)	**668**	(368)
Other expenses	**-**	-	**-**	-	**647**	695	**647**	695
Finance costs	**-**	-	**-**	-	**627**	205	**627**	205
Income taxes	**-**	-	**-**	-	**(427)**	(267)	**(427)**	(267)
Discontinued operations	**-**	-	**-**	-	**95**	(703)	**95**	(703)
Net (loss) income	**3,703**	3,587	**1,480**	2,011	**(7,093)**	(5,906)	**(1,910)**	(308)
Purchase of property, equipment, and intangible assets	**419**	349	**13**	1,973	**-**	-	**432**	**2,322**

As at June 30,	Software	Software	Services	Services	Corporate	Corporate	Total	Total
($ thousands)	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Property and equipment	**865**	680	**2,897**	4,197	**-**	-	**3,762**	4,877
Intangible assets and goodwill	**20,051**	19,248	**-**	-	**-**	-	**20,051**	19,248
Total assets	**28,714**	25,022	**10,993**	14,082	**-**	-	**39,707**	39,104

11. EXPENSES BY NATURE

The Corporation presents certain expenses in the consolidated statements of operations and comprehensive income (loss) by function. The following table presents those expenses by nature:

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2016**	2015	**2016**	2015
Expenses				
Salaries, subcontractors, and benefits	**4,580**	5,935	**10,076**	10,709
Material and supplies	**903**	1,936	**1,966**	4,553
External services and facilities	**1,666**	2,106	**3,542**	3,585
Share-based payment	**26**	81	**74**	154
	7,175	10,058	**15,658**	19,001
Allocated to:				
Operating expense	**4,663**	6,738	**10,175**	12,657
General and administrative	**2,512**	3,320	**5,483**	6,344
	7,175	10,058	**15,658**	19,001
Foreign exchange				
Foreign exchange - realized	**(23)**	(5)	**(9)**	25
Foreign exchange - unrealized	**(36)**	70	**677**	(393)
	(59)	65	**668**	(368)
Finance costs				
Bank related charges	**129**	13	**235**	47
Interest on bank indebtedness	**164**	18	**310**	47
Interest on long-term debt	**28**	65	**69**	98
Deferred financing costs on long-term debt	**6**	6	**13**	13
	327	102	**627**	205

CRITICAL CONTROL

12. CHANGE IN PRESENTATION

Critical Control has changed the presentation of statement of operations and comprehensive income (loss) to improve disclosure of the Corporation's operations. The change has resulted in the reclassification of certain revenue and expenses. The change in presentation has been applied retroactively.

The table below summarizes the movement of the revenue and expenses:

For the three months ended June 30, 2015 ($ thousands)	Note	Reported	Adjustment	Revised
Revenue		10,747	-	10,747
Operating expenses		7,150	-	6,738
	a	-	(274)	-
	b	-	(178)	-
	c	-	40	-
General and administration		3,622	-	3,320
	a	-	(458)	-
	b	-	178	-
	c	-	(40)	-
	d	-	5	-
	e	-	13	-
	j	-	-	-
Research and development		249	-	249
Foreign exchange	f	-	65	65
Depreciation and amortization	a	-	274	732
	a	-	458	-
Gain on sale of property and equipment		-	-	-
Other expenses		691		678
	j	-	(13)	-
		11,712	-	11,782
		(965)	-	(1,035)
Finance costs	d	172	(5)	102
	e	-	-	-
	f	-	(65)	-
		(1,137)	-	(1,137)
Income taxes (recovery)		(256)	-	(256)
		(881)	-	(881)
Loss (gain) from discontinued operations		16	-	16
Net loss		(897)	-	(897)

For the six months ended June 30, 2015 ($ thousands)	Note	Reported	Adjustment	Revised
Revenue		20,226		20,226
Operating expenses		13,370		12,657
	a		(478)	
	b		(315)	
	c		80	
General and administration		6,880		6,344
	a		(796)	
	b		315	
	c		(80)	
	d		25	
	e		-	
	j		-	
Research and development		697		697
Foreign exchange	f	-	(368)	(368)
Depreciation and amortization	a	-	478	1,274
	a		796	
Gain on sale of property and equipment		-	-	-
Other expenses		695	-	695
	j		-	
		21,642		21,299
		(1,416)		(1,073)
Finance costs	d	(138)	(25)	205
	e		-	
	f		368	
		(1,278)		(1,278)
Income taxes (recovery)		(267)		(267)
		(1,011)		(1,011)
Loss (gain) from discontinued operations		(703)		(703)
Net loss		(308)		(308)

(a) Depreciation and amortization

Depreciation and amortization previously within cost of revenue and selling and administration has been disclosed separately to improve visibility and disclosure.

(b) Office leases

A portion of the operating leases for locations in Canada and the United States was allocated to cost of revenue. This has been reclassified to general and administration to improve disclosure of the direct expenditure, and external services and facilities expenditures.

(c) Operations supervisors

Operations supervisors previously treated as administration have been reclassified from selling and administration to operating expense to better reflect the direct expenditure costs.

(d) Accounts receivable impairment

Accounts receivable impairment previously in finance costs have been reclassified to general and administrative expense.

(e) Cost of acquisition

Cost of acquisition previously in selling and administrative expenses were reclassified to other expenses.

(f) Foreign exchange

Foreign exchange previously in finance costs have been reclassified to its own financial statement line item to improve disclosure.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to the financial statement presentation adopted in the current period.