CRITICAL CONTROL

Q1 2017

Condensed Consolidated Interim Financial Statements

Critical Control Energy Services Corp.

March 31, 2017

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	**March 31, 2017**	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents		**370**	552
Accounts receivable		**7,116**	7,402
Inventory		**2,875**	2,838
Prepaid expenses		**267**	316
		10,628	11,108
Deposits		**88**	88
Tax credit recoverable		**758**	758
Deferred income taxes		**3,699**	3,433
Property and equipment		**3,664**	3,614
Intangible assets and goodwill		**20,059**	20,089
		38,896	39,090
Liabilities			
Current liabilities			
Bank indebtedness	4	**6,630**	6,100
Accounts payable and accrued liabilities		**3,363**	3,664
Deferred revenue		**676**	713
Provisions		**110**	191
Current portion of long-term debt	4	**960**	1,571
Current portion of deferred lease inducements		**17**	21
		11,756	12,260
Long-term debt	4	**3,089**	2,770
Deferred lease inducements		**50**	53
		14,895	15,083
Shareholders' Equity			
Common shares		**31,935**	31,888
Contributed surplus		**1,609**	1,607
Accumulated other comprehensive income		**1,821**	1,824
Deficit		**(11,364)**	(11,312)
		24,001	24,007
		38,896	39,090

(See Notes to the Condensed Consolidated Interim Financial Statements)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the three months ended March 31,

($ thousands, except per share amounts) - unaudited	Note	2017	2016
Revenue	6	**7,640**	9,021
Expenses			
Operating expense	7	**4,117**	5,512
General and administrative	7	**2,446**	2,971
Research and development		**349**	367
Foreign exchange	7	**108**	727
Depreciation and amortization		**673**	571
Loss (gain) on sale of asset		**-**	(7)
Other expenses	8	**10**	263
		(63)	(1,383)
Finance costs	7	**264**	300
Loss before income taxes		**(327)**	(1,683)
Income taxes (recovery)		**(275)**	(201)
Net loss		**(52)**	(1,482)
Other comprehensive income (loss)			
Foreign currency translation adjustment, net of tax		**(3)**	(128)
		(3)	(128)
Total comprehensive income (loss)		**(55)**	(1,610)
Earnings per share			
Net earnings			
Basic / Diluted		**-**	(0.03)

(See Notes to the Condensed Consolidated Interim Financial Statements)

CONSOLIDED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2017 and 2016

($ thousands) - unaudited	Common Shares	Contributed surplus	Accumulated other comprehensive income [1]	Deficit	Total equity
Balance at December 31, 2016	**31,888**	**1,607**	**1,824**	**(11,312)**	**24,007**
Comprehensive income (loss)	**-**	**-**	**(3)**	**(52)**	**(55)**
Employee share purchase plan proceeds	**-**	**15**	**-**	**-**	**15**
Shares issued from treasury under employee share purchase plan	**11**	**(11)**	-	-	**-**
Shares issued from treasury under deferred common shares	**36**	**(36)**	**-**	**-**	- **-**
Share-based payments	**-**	**34**	**-**	**-**	**34**
Balance at March 31, 2017	**31,935**	**1,609**	**1,821**	**(11,364)**	**24,001**
Balance at December 31, 2015	31,720	1,632	1,866	(9,202)	26,016
Comprehensive income (loss)	-	-	(128)	(1,482)	(1,610)
Employee share purchase plan proceeds	-	4	-	-	4
Shares issued from treasury under employee share purchase plan	10	(10)	-	-	**-**
Share-based payments	-	42	-	-	42
Balance at March 31, 2016	31,730	1,668	1,738	(10,684)	24,452

[1] Accumulated other comprehensive income (loss) consists 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)

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31,

($ thousands) - unaudited	Note	2017	2016
Cash flows provided by (used in)			
Operating activities			
Net loss		**(52)**	(1,482)
Adjustments for:			
Depreciation and amortization		**673**	571
Loss (gain) on sale of asset		**-**	(7)
Foreign exchange	7	**108**	727
Finance costs	7	**264**	300
Income taxes (recovery)		**(275)**	(201)
Other		**34**	48
Interest - paid		**(203)**	(150)
Funds provided by (used in) operations		**549**	(194)
Change in non-cash working capital		**(148)**	1,956
		401	1,762
Investing activities			
Acquisition of business, net assets	3	**-**	(125)
Purchase of property and equipment		**(330)**	(157)
Purchase of software		**(11)**	(68)
Proceeds on sale of property and equipment		**-**	21
Additions to product development costs		**(462)**	(215)
		(803)	(544)
Financing activities			
Proceeds from employee share purchase plan		**15**	4
Proceeds from bank indebtedness		**1,263**	14,360
Repayment of bank indebtedness		**(778)**	(14,542)
Repayment of long-term debt		**(279)**	(485)
		221	(663)
Effect of translation of foreign currency cash		**(1)**	53
Net (decrease) increase in cash		**(182)**	608
Cash and cash equivalents, beginning of period		**552**	815
Cash and cash equivalents, end of period		**370**	1,423

(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 financial statements of the Corporation as at and for the three month period ended March 31, 2017, 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 Laboratory Services***: 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.
- ***Distribution of Measurement Equipment**: sale* of gas measurement related equipment.
- ***Fabrication***: assembly and sale of gas measurement 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 three month period ended March 31, 2017. These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors as of May 10, 2017.

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, 2016, 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, 2016, 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 paid in November 2016. The net assets were 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 minimal.

External legal fees and due diligence costs in relation to the acquisition were minimal. These costs have been included in other expenses in the 2016 consolidated statement of operations and comprehensive income (loss).

4. BANK INDEBTEDNESS AND LONG-TERM DEBT

As at ($ thousands)	Note	March 31, 2017	December 31, 2016
Secured bank term loan ($3.0 million)	b	**3,000**	3,000
Secured bank term loan (US$0.8 million)	c	**1,016**	1,275
Secured finance contracts		**33**	66
		4,049	4,341
Current portion		**960**	1,571
Long-term portion		**3,089**	2,770

On March 21, 2017, the Corporation executed an amendment to the 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, a previous 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 until September 2017. Beginning in September 2017, the Corporation shall start making monthly principal payments, based on a five year amortization period. The loan bearing interest rate is prime plus 2.0% per year.

(c) A committed term loan of US$0.8 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, with monthly principal payments. 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;
- Upstream guarantees from all material subsidiaries of the Corporation, secured by general security agreements and UCC filings as considered appropriate; and
- 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 0.38 to 1.00 and an Adjusted Debt Service ratio to exceed 1.10 to 1.00. As at March 31, 2017, the Corporation is in compliance with its financial covenants.

5. EARNINGS PER SHARE

Basic earnings per share for the three months period ended March 31, 2017 and 2016 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 months period ended March 31, 2017 and 2016 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 in the period:

For the three months ended March 31,	**2017**	2016
Weighted average of common shares		
Basic	**58,470,121**	58,067,260
Diluted	**58,470,121**	58,067,260

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 2017 because they were antidilutive:

- 1,876,635 deferred common shares; and
- 318,682 shares reserved under the Employee Share Purchase Plan.

6. REVENUE

For the three months ended March 31, **($ thousands)**	**2017**	2016
Recurring	**6,263**	7,334
Non-recurring	**1,377**	1,687
	7,640	9,021

Recurring revenue refers to Software and Services that are provided to the client which is reasonably expected to be continually provided on a periodic basis. This would include subscription revenue and production related services.

Non-recurring revenue refers to Software and Services that are provided to the client which are viewed as one-time in nature. This would include implementation revenue and fabrication projects.

7. 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:

For the three months ended March 31, ($ thousands)	2017	2016
Expenses		
Salaries, subcontractors, and benefits	**3,977**	5,496
Material and supplies	**874**	1,063
External services and facilities	**1,678**	1,876
Share-based payment	**34**	48
	6,563	8,483
Allocated to:		
Operating expense	**4,117**	5,512
General and administrative	**2,446**	2,971
	6,563	8,483
Foreign exchange		
Foreign exchange - realized	**(17)**	14
Foreign exchange - unrealized	**125**	713
	108	727
Finance costs		
Bank related charges	**123**	105
Interest on bank indebtedness	**30**	72
Interest on long-term debt	**111**	116
Deferred financing costs on long-term debt	**-**	7
	264	300

8. OTHER EXPENSES

For the three months ended March 31, ($ thousands)	2017	2016
Acquisition related charges	**-**	11
Provision of onerous lease	**-**	61
Termination benefits	**10**	191
	10	263

9. SEGMENTED INFORMATION

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

For three months ended March 31, **($ thousands)**	**Software 2017**	Software 2016	**Services 2017**	Services 2016	**Corporate 2017**	Corporate 2016	**Total 2017**	Total 2016
Revenue								
Recurring	**3,831**	4,213	**2,432**	3,121	**-**	-	**6,263**	7,334
Non-recurring	**305**	308	**1,072**	1,379	**-**	-	**1,377**	1,687
	4,136	4,521	**3,504**	4,500	**-**	-	**7,640**	9,021
Expenses								
Operating expense	**1,663**	2,158	**2,454**	3,354	**-**	-	**4,117**	5,512
Research and development	**349**	367	**-**	-	**-**	-	**349**	367
Depreciation and amortization	**520**	370	**153**	201	**-**	-	**673**	571
Loss on sale of asset	**-**	(7)	**-**	-	**-**	-	**-**	(7)
	2,532	2,888	**2,607**	3,555	**-**	-	**5,139**	6,443
	1,604	1,633	**897**	945	**-**	-	**2,501**	2,578
General and administrative	**-**	-	**-**	-	**2,446**	2,971	**2,446**	2,971
Foreign exchange	**-**	-	**-**	-	**108**	727	**108**	727
Other expenses	**-**	-	**-**	-	**10**	263	**10**	263
Finance costs	**-**	-	**-**	-	**264**	300	**264**	300
Income taxes	**-**	-	**-**	-	**(275)**	(201)	**(275)**	(201)
Net income (loss)	**1,604**	1,633	**897**	945	**(2,553)**	(4,060)	**(52)**	(1,482)
Purchase of property, equipment, and intangible assets	**803**	440	**-**	-	**-**	-	**803**	**440**

As at March 31, **($ thousands)**	**Software 2017**	Software 2016	**Services 2017**	Services 2016	**Corporate 2017**	Corporate 2016	**Total 2017**	Total 2016
Property and equipment	**1,036**	846	**2,628**	3,089	**-**	-	**3,664**	3,935
Intangible assets and goodwill	**20,059**	20,075	**-**	-	**-**	-	**20,059**	20,075
Total assets	**27,260**	28,189	**11,636**	13,126	**-**	-	**38,896**	41,315

10. COMPARATIVE FIGURES

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