



Flexible  
Custom  
Service

**Gemini Corporation** | 2008 Annual Report





Flexible  
Custom  
Service

**Gemini Corporation** is a leading provider of engineered solutions and field services for energy, environmental and industrial markets. Founded in 1982, Gemini offers a range of interrelated services including project management, engineering, fabrication, construction, and maintenance of oil and gas and industrial facilities within Canada and internationally.

Gemini provides services on either a stand-alone or an integrated service basis to a broad array of clients in five market segments: Conventional Oil and Gas, Unconventional Gas, Heavy Oil, Industrial, and Renewable Energy. Our services and products are delivered through two business segments each focused on meeting specific client requirements. The Engineering segment specializes in partnering with clients to provide customized, cost-effective solutions from concept to completion. The Field Services segment provides fabrication, field construction, and facility maintenance services to meet client project specifications in a flexible, efficient fashion.

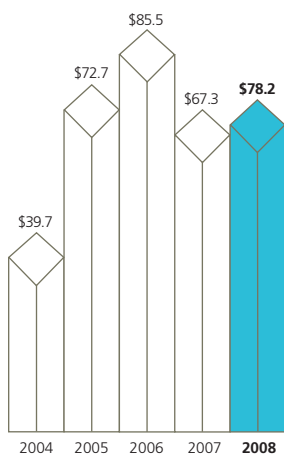
GEMINI CORPORATION TRADES ON THE TSX VENTURE EXCHANGE UNDER THE SYMBOL GKX.

1	Consolidated Financial Highlights
2	Plans, Results and 2009 Goals
3	Message to Shareholders
6	Market Overview
10	Corporate Stewardship
14	Management's Discussion and Analysis
24	Management's Responsibility for Financial Information
25	Auditors' Report
26	Consolidated Financial Statements
29	Notes to the Consolidated Financial Statements
44	Directors
45	Officers and Senior Management   Corporate Information

## CONSOLIDATED FINANCIAL HIGHLIGHTS

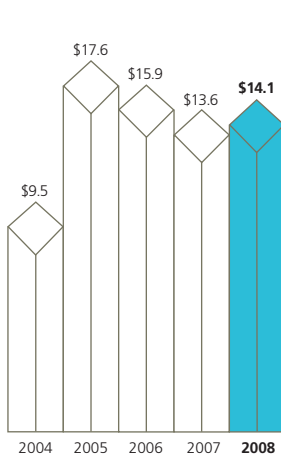
### REVENUE

(\$ millions)



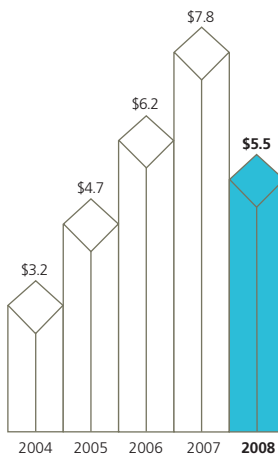
### GROSS PROFIT

(\$ millions)



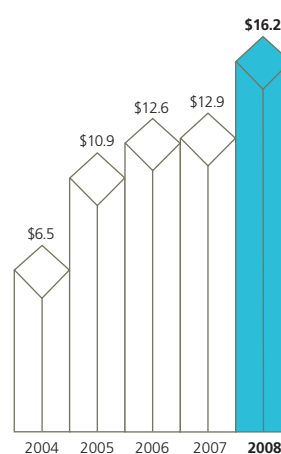
### CAPITAL ASSETS

(\$ millions)



### SHAREHOLDERS' EQUITY

(\$ millions)



	2008	2007	2006	2005	2004
Revenue	<b>\$ 78,230,000</b>	\$ 67,340,000	\$ 85,455,000	\$ 72,779,000	\$ 39,718,000
Gross profit	<b>14,119,000</b>	13,629,000	15,862,000	17,577,000	9,504,000
Net earnings (loss)	<b>2,992,000</b>	(264,000)	1,156,000	3,372,000	1,150,000
Basic earnings per share	<b>\$ 0.084</b>	\$ (0.010)	\$ 0.030	\$ 0.100	\$ 0.030
Common shares outstanding	<b>34,655,000</b>	34,564,000	34,534,000	33,711,000	31,046,000
Working capital	<b>\$ 12,403,000</b>	\$ 7,839,000	\$ 8,298,000	\$ 7,322,000	\$ 3,433,000
Capital assets	<b>5,485,000</b>	7,787,000	6,201,000	4,717,000	3,227,000
Long-term liabilities	<b>3,277,000</b>	4,221,000	3,096,000	3,156,000	850,000
Shareholders equity	<b>16,180,000</b>	12,900,000	12,649,000	10,848,000	6,498,000

## PLANS, RESULTS AND 2009 GOALS

2008 Plans	2008 Results	2009 Goals
<ul style="list-style-type: none"> <li>Further diversify our client base to reduce dependence on any single industry</li> </ul>	<ul style="list-style-type: none"> <li>Oil and gas clients continued to dominate our client base; however, several new clients were added from other industries to help diversify revenues</li> </ul>	<ul style="list-style-type: none"> <li>Focus our efforts on capturing a larger share of projects within various market sectors by deploying our full complement of capabilities in an integrated service fashion</li> </ul>
<ul style="list-style-type: none"> <li>Investigate new areas of high activity that fit with our service offering and develop plans to penetrate these markets</li> </ul>	<ul style="list-style-type: none"> <li>Unconventional gas market has been targeted for increased penetration, with success both domestically and abroad</li> </ul>	<ul style="list-style-type: none"> <li>Penetrate the markets with the greatest potential for activity in the current economic climate while monitoring the indicators of a recovery in heavy oil activity</li> </ul>
<ul style="list-style-type: none"> <li>Secure additional engineering work in the heavy oil sector to total approximately 30% of Engineering business with longer-term contracts</li> </ul>	<ul style="list-style-type: none"> <li>Heavy oil sector engineering work and backlog was increased to 15% prior to the general slowdown in the industry</li> </ul>	<ul style="list-style-type: none"> <li>Develop a recognized heavy oil team ready to respond to opportunities as activity levels recover</li> </ul>
<ul style="list-style-type: none"> <li>Advance current biogas projects through detailed engineering</li> </ul>	<ul style="list-style-type: none"> <li>Biogas projects have been delayed, but are expected to advance to detailed engineering in 2009</li> </ul>	<ul style="list-style-type: none"> <li>Build upon our core knowledge in the biogas sector to increase our profile in this growing market</li> </ul>
<ul style="list-style-type: none"> <li>Broaden the application of forecasting tools to improve management resource planning</li> </ul>	<ul style="list-style-type: none"> <li>Upgraded ERP system was implemented in 2008, which will provide the foundation for improved forecasting</li> </ul>	<ul style="list-style-type: none"> <li>Solidify forecasting and planning techniques to enhance market penetration practices and the visibility of opportunities</li> </ul>
<ul style="list-style-type: none"> <li>Continue to align with appropriate Canadian clients on select international projects</li> </ul>	<ul style="list-style-type: none"> <li>Interest in Gemini's ability to provide integrated service solutions is increasingly being recognized by international clients</li> </ul>	<ul style="list-style-type: none"> <li>Explore additional international opportunities to add to the two projects advancing into detailed engineering in 2009</li> </ul>
<ul style="list-style-type: none"> <li>Identify additional resource requirements and fill the positions through internal promotion or external recruiting</li> </ul>	<ul style="list-style-type: none"> <li>Certain key management and operational positions were filled to strengthen our service offering</li> </ul>	<ul style="list-style-type: none"> <li>Continue to refine our service capability and promote our experienced resources to support client requirements</li> </ul>
<ul style="list-style-type: none"> <li>Focus management attention on areas with the greatest potential returns</li> </ul>	<ul style="list-style-type: none"> <li>Engineering gross profits were successfully increased through the management of utilization rates</li> </ul>	<ul style="list-style-type: none"> <li>Expand Engineering services and maximize efficiencies in Field Services to improve profitability</li> </ul>
<ul style="list-style-type: none"> <li>Expand service offering to companies within Alberta's Industrial Heartland and northern Alberta</li> </ul>	<ul style="list-style-type: none"> <li>Construction Services unit established in Sherwood Park to address the increasing demand for debottlenecking construction services</li> </ul>	<ul style="list-style-type: none"> <li>Aggressively market our construction and maintenance service capabilities in the Alberta Heartland region to increase market share</li> </ul>
<ul style="list-style-type: none"> <li>Maximize the amount of cost-reimbursable work and augment this with other reduced risk approaches</li> </ul>	<ul style="list-style-type: none"> <li>Changing market conditions reduced the availability of cost-reimbursable work within the Field Services segment</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen bidding practices and project controls to mitigate risk as clients shift to more of a fixed price approach in the current economic environment</li> </ul>

## MESSAGE TO SHAREHOLDERS

2008 will be remembered by many for its significant swing from a booming economy in western Canada and buoyant commodity markets at the start of the year to financial uncertainty, a faltering global economy, and the collapse of commodity markets at year end. The industry's optimism earlier in the year was founded on unprecedented heavy oil development in Alberta – both underway and proposed – and a sense of confidence that as current projects were completed, the next wave of development would begin.

For Gemini, ongoing service work for heavy oil projects led to solid activity levels for our Field Services segment right up to the fourth quarter of 2008. We also expanded our Engineering involvement in this sector, helping several juniors advance their heavy oil projects. In addition, a strengthening of natural gas prices early in 2008 provided renewed momentum for the natural gas market. These activities provided the revenues necessary to improve profitability over the course of the year.

Until oil prices collapsed in the fourth quarter, the heavy oil industry had been planning for continued high levels of activity. However, the financial meltdown led to an economic downturn that has reduced demand for energy. The continued deterioration of oil and natural gas prices has resulted in the postponement or cancellation of several heavy oil projects. Clients in most industry sectors have reduced their capital budgets, and we are working diligently to address the impact of these actions on our business.

Our challenge for 2009 has been to establish realistic plans and adjust to reduced industry activity levels. We expect that our Engineering segment will grow slightly due to the strength of our order book for the first half of 2009 compared to the first half of 2008. There is a certain level of stability within this segment coming from the unconventional natural gas market – both domestically and abroad. Supplementing this activity is a growing appreciation for our capabilities in alternative energy solutions and environmental technology.



**Carl Johnson**  
President and  
Chief Executive Officer

By aggressively marketing our full suite of services to a broader client base, we expect to maintain Field Services activity near 2008 levels. Modest growth in maintenance and construction services should offset a planned reduction in our fabrication activities. We reorganized our Alberta Heartland operations in 2008 to facilitate the expansion of our maintenance operations and enhance our focus on fast turnaround construction projects in the region. During this period of limited heavy oil activity, we have chosen to scale back our fabrication operations to allow us to implement management processes to improve this division's financial performance. Unconventional gas development will replace some of the heavy oil work that has been the core of the fabrication division's workload over the past three years.

During 2008, we assessed our requirement for the 96-acre parcel of land located on the outskirts of Fort Saskatchewan and concluded we did not need the entire parcel for future development of our Field Services segment. We therefore sold the property in two transactions, realizing a significant gain, and negotiated the leaseback of a portion of the property to meet our future needs in the region. The sale of this land enabled us to reduce our bank debt at an opportune time in the financial markets, thereby strengthening our liquidity.

We believe that the current market turmoil presents an opportunity to enhance our operations for the future. The availability of experienced personnel is improving and we are continuing to evaluate our immediate and long-range plans with the objective of entering the next upturn with an even stronger team.

Our success in 2009 will be measured by our ability to remain flexible and adapt our services to assist clients to succeed. An important part of our strategy is to hone our ability to provide integrated project execution services – from engineering through to construction. Our flexible, integrated service offering provides clients with greater cost certainty and enables them to formulate plans with less risk and earlier cash flow generation. We are achieving success with selected oil and gas clients in western Canada and attracting significant attention from international and alternative energy clients.

Efforts to market our expertise for the development of new energy technologies is beginning to show promise as we advance our work in biogas and biodiesel projects and provide engineering support to specialized environmental projects. These activities could represent as much as 15% of our revenues in 2009.

Encouraged by a return to past activity levels within our Engineering segment and our improving ability to manage Field Services projects, we are looking to the future with cautious optimism. We have added strength to our management team and advanced our internal understanding of the many ways that we can combine our complete service capability to add value to our clients' business.

Our focus on the safety and well-being of our employees remains one of our top priorities. We are pleased that our excellent safety record was recognized by the Workers Compensation Boards of Alberta and Saskatchewan. Our Alberta award places us in the top one percentile of a very large peer group within the province. We'd like to thank each of our employees for helping us succeed by being aware of the risks inherent in a task and thinking through the activity before proceeding. Our safety goal is, and will continue to be, zero lost time accidents.

The skill and dedication of our people, whose energy and ingenuity are what distinguish us from the competition, have allowed us to enjoy the continued confidence and trust of our clients and investors. As we advance our unique position in our industry with our flexible, integrated service capabilities, I invite you to gather additional information and follow our progress via our website at [www.gemini-corp.ca](http://www.gemini-corp.ca).

On behalf of the Board of Directors,



**Carl Johnson**  
President and Chief Executive Officer  
March 17, 2009



## Responsive

Never before have our clients faced so many serious challenges from a variety of issues at the same time – high costs, lack of financing, and low commodity prices.

Our success in 2009 and beyond will be measured by our ability to understand our clients' goals and respond in the appropriate manner to meet these goals.



## Flexible

Our full-discipline, integrated service capabilities and flexible approach to project execution uniquely position Gemini in the market as one of the few firms capable of providing comprehensive project solutions.

Clients value our flexible attitude as well as our ability to take entire projects from engineering through start-up and beyond.

## MARKET OVERVIEW

- Conventional Oil and Gas
- Unconventional Gas
- Heavy Oil
- Industrial
- Renewable Energy

Gemini offers a range of integrated or stand-alone services to a broad array of clients in various market segments. We provide project management, engineering, fabrication, construction and maintenance services in five key market sectors: conventional oil and gas, unconventional gas, heavy oil, industrial, and renewable energy. Geographically, we are focused on projects principally in western Canada but also provide certain services in eastern Canada and to select international clients. Our diverse client base and flexible service offering helps to mitigate the effects of a slowdown in any specific industry sector.

Our markets are well defined and we have the core competencies and the flexibility to meet the needs of our clients. Our reputation as a premier supplier of services, developed over the past 26 years, will continue to be the foundation of Gemini's future success.

## CONVENTIONAL OIL AND GAS

The conventional oil and gas market has been the cornerstone of Gemini's business for more than 26 years. Despite declining conventional reserves in the Western Canada Sedimentary Basin, annual investment in this sector continues to amount to billions of dollars. Although cyclical in nature, conventional oil and gas will remain an active market for Gemini's services for the long term.

Recently, project opportunities have become less concentrated in Alberta due to current economic conditions and the effects of the Alberta royalty changes enacted at the start of 2009. To respond to this slowdown, we are pursuing project opportunities in Saskatchewan and British Columbia and expect these regions to remain active as commodity prices strengthen and the current natural gas surplus is drawn down.

In 2008, Field Services executed significant elements of an enhanced oil recovery (EOR) project in Saskatchewan. This project involved the injection of carbon dioxide (CO<sub>2</sub>) into the producing zone, providing the dual benefits of increasing oil recovery and reducing greenhouse gas emissions by disposing of (CO<sub>2</sub>). EOR projects such as this have significant environmental benefits, and similar facilities are expected to be developed in the near future. Our involvement has attracted the attention of adjacent producers and we anticipate participating in additional opportunities of this nature.

## UNCONVENTIONAL GAS

Our work in the unconventional gas market is growing, with both domestic and international clients. We are currently providing integrated service solutions related to shale gas and coal bed methane, covering gas gathering, compression and dehydration systems. Our strategy is to leverage our current expertise to be a leading provider of integrated services for the study, design, and construction of unconventional gas projects. We are currently managing major projects in domestic and international markets related to unconventional gas opportunities, and we have been approached by several oil and gas producers to support them in developing their unconventional gas reserves.

## HEAVY OIL

The heavy oil industry, mainly related to SAGD (steam-assisted gravity drainage) projects but includes *in situ* oil sands development, is an important component of Alberta's economy – now and in the future. Oil sands development is expected to span decades with total investment in the hundreds of billions of dollars. While investments for mega oil sands projects have been delayed due to the current economic conditions, industry experts are predicting that activity will slowly begin to recover near the end of the 2009 and should remain relatively robust for 2010 and beyond.

Our heavy oil strategy is to build on our solid foundation of expertise and success to date in this market. We intend to leverage our brand and our reputation to increase recognition of Gemini as a company capable of providing full-discipline, integrated solutions. As many of these projects come back online, the heavy oil developer's style of project execution will be a good fit with our client-focused, flexible approach.

We have become a recognized and respected participant in the heavy oil sector as a quality supplier and installer of prefabricated modules and equipment. Our experience in fabricating modules and providing site construction services for SAGD projects provides a solid foundation to service this market as the recovery begins. We have experience in various aspects of typical SAGD projects, including fabrication and installation of pipe rack modules, equipment modules for central production facilities and well pad modules. From a construction perspective, many of these projects are multi-phased developments that are projected to span several years (in some cases the potential could be up to a decade), which will provide a stable revenue stream for Gemini.

We also plan to expand our maintenance services activities as they relate to the heavy oil sector, both in Fort Saskatchewan and at sites in northern Alberta. Many opportunities exist for site maintenance and turnaround work at SAGD facilities in remote locations, and our maintenance group has experience in executing this type of work.

We continue to strengthen our profile within the heavy oil sector for engineering services. We have recently completed environmental studies for certain SAGD projects. Subsequent phases of these projects are expected to continue in late 2009 and beyond and may pave the way for additional work in this area.

### **INDUSTRIAL**

The industrial sector is dominated by midstream and downstream oil and gas facilities (including refineries), fertilizer manufacturing, metals production, chemical manufacturing, and conventional power. The largest concentration of industrial activity in western Canada is in Strathcona County, east of Edmonton/Fort Saskatchewan, in the area known as Alberta's Industrial Heartland.

Our Field Services office, based in Fort Saskatchewan, has steady revenues from fertilizer and metals plants in the Industrial Heartland. We have conducted major plant turnaround and shutdown work for several facilities in the area, including natural gas midstream processing plants, metals and fertilizer production plants, and chemical plants. The past year was a very active and successful year for turnaround business and we anticipate that 2009 will remain strong as we leverage our expertise and experience to expand our market share.

In 2008, we began executing our planned expansion of services in the Industrial Heartland. We formed our construction services group, located in Sherwood Park, Alberta, to focus on the geographic expansion of construction services into this region. In addition, our Edmonton-based engineering group, already providing facility engineering services to many plants in the area, has begun to broaden its client base by providing support to the maintenance group.

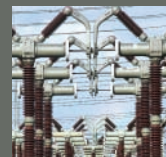
There are extensive engineering opportunities in the Industrial Heartland for new project debottlenecking and expansion, and we are projecting higher revenues in 2009 from this activity. To support this diversification effort, we added management and strategic sales resources to the Edmonton office. This proactive approach is targeted at securing additional work in the industrial sector and further expanding this operation.

## RENEWABLE ENERGY

The renewable energy sector in Canada is increasing in prominence as the drive to reduce greenhouse gas emissions continues to gain momentum. Federal and provincial governments have introduced or are contemplating the introduction of “carbon trading”, which will encourage renewable energy projects involving wind, solar, and biomass power production. Renewable Fuel Standards (RFS), being considered by various governments, would increase the demand for renewable fuel additives. The Federal Government’s RFS call for 5% renewable fuel content in gasoline by 2010 and 2% renewable fuel content in diesel by 2012. These standards, along with other government programs, are encouraging the construction of biodiesel and bioethanol facilities across the country.

Renewable energy is a significant growth market and one in which we have developed considerable expertise. We are currently working with several major companies on various biomass and biofuels projects. We are also working with several clients to bring biogas alternative fuels and environmental cleanup projects to the detailed engineering stage. Gemini has the capability to provide integrated (from design through to construction), environmentally sound solutions for renewable energy facilities.

Power production projects that utilize various sources of fuel, such as residential garbage and wood waste, represent additional opportunities. These types of opportunities are expected to become more abundant in the future as the demand for renewable energy increases. We are expecting further projects from multiple clients as they expand their business and utilize our expertise.



## Custom

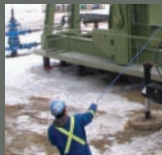
Because every project is unique, we work with our clients to define the drivers and goals.

By first understanding client priorities and objectives, we can then tailor the way we deliver our service to create operating efficiencies while providing innovative and cost-effective solutions that meet their specific project requirements.



## CORPORATE STEWARDSHIP

We recognize the importance of stating our core values on how we conduct our business and achieve our future growth goals. These values form the basis of all that sets our people at the top of the class. Adherence to these beliefs will ensure that we will maintain the highest level of service to our clients, preserve the confidence and trust of all with whom we interact, and afford each employee a high level of job satisfaction. From this, long-term value to our shareholders will be enhanced.



## Service

We offer our clients innovative, timely, schedule-efficient, quality solutions without compromise.

From project inception through start-up, we maintain high standards and quality control. Gemini has established solid client relationships founded upon a reputation for safe, quality workmanship.

## CORE VALUES

**PEOPLE:** We recognize that the foundation of our success is our people. We will strive to provide a work environment that values every individual's contribution, promotes career and personal growth and development, and provides personal challenges and opportunities in a manner such that long-term results are achieved.

**INTEGRITY:** We will make commitments and strive to achieve them. We will continually evaluate each situation and advise of changing circumstances that may impact the expected results.

**HONESTY:** We will always be honest with our clients, suppliers, shareholders, and each other. We will not promise the impossible but will present facts and options to overcome challenges.

**SUSTAINABILITY:** We will plan for the long-term and develop our business plans with an eye to the future. We recognize that short-term gain at the expense of long-term health is an unsustainable approach. This philosophy will provide stability for our employees and preserve the trust and confidence of our clients, suppliers, and shareholders.

**TEAMWORK:** We value and promote cooperation and collaboration among our employees, clients, suppliers, regulators, and the communities in which we work.

**INNOVATION:** We will continue to invest in the development of new technologies that will add value to our growth and provide solutions to issues in the industries in which we conduct business.

**SAFETY:** We will not place any business decision above the need to protect the safety of employees, clients, suppliers, or the general public.

**ENVIRONMENT:** We recognize the importance of our environment and will continue to develop processes and instill attitudes to conduct our business in a manner that will help to preserve the environmental balance within the areas we work.

**LEARNING:** We value and promote learning – both professional and personal – as an essential means to advance personal careers and develop healthy interpersonal skills.

## HEALTH, SAFETY AND ENVIRONMENT

Gemini Corporation is strongly committed to providing excellent service without compromising the health and safety of staff, clients, suppliers, or the general public. Our policies and practices, along with client requirements, are an integral part of how we conduct our business.

Our goal of no lost-time workplace injuries is a permanent target. This past year, we were extremely close to achieving this goal, sustaining only two minor incidents in nearly one million hours worked. Our ongoing commitment to maintain a strong safety culture, and awareness that safety is the number one priority, is resulting in success. We are very proud to have received a number of WCB awards for our safety performance.

We recognize that long-term success is directly related to having an uncompromising attitude toward safety and the environment. To this end, we will continue to provide a safe workplace for every worker within our organization and strive for world class safety management and performance. In addition, we will strive to formulate project designs and processes that will achieve environmental balance in a cost-effective manner.

## QUALITY ASSURANCE

Gemini enjoys a reputation for providing quality services and products. Each operation has its own quality assurance program developed specifically for its business needs. Key elements of these programs include:

- Understanding the goals and priorities of the client and the project
- Establishing a framework for continuous improvement
- Developing a concise set of project procedures
- Providing training and mentoring to staff

## COMMUNITY COMMITMENT

Giving back to the community is an important part of Gemini's business. Our goal is to help to build stronger communities where we live, work, and do business. Where possible, we support local businesses, contractors, and suppliers to provide direct benefits to these regions.

We proudly support local charities in Calgary, Edmonton, Brooks, Ponoka, and Fort Saskatchewan. Our support extends to education, with bursaries and awards provided to various post-secondary institutions and high schools for technical and apprenticeship training. We believe education is an investment in our future and a vital link to our industry.

## HUMAN RESOURCES

The foundation of our organization is our talented people and our ability to attract and retain them. Our corporate culture encourages career growth, community involvement, and a genuine caring attitude toward all personnel. Our management approach encourages creativity and accountability while promoting an open, supportive environment.

We believe in providing training in both technical and interpersonal skills to help our personnel grow, develop, and succeed and encourage our people to enhance their capabilities to achieve personal and business goals. We create opportunities that allow them to perform to the full extent of their abilities and assist in cultivating networks and high-quality relationships.

## CORPORATE GOVERNANCE

### Composition of the Board

Gemini's board of directors consists of seven members, six of whom are independent. The Board is currently chaired by the CEO, however, when deemed appropriate, these roles will be separated. Duly constituted meetings of the Board were held nine times during 2008.

To assist in the fulfillment of its mandate to provide oversight and stewardship to the Corporation, the Board has established three committees. Each committee is composed entirely of independent directors and operates according to a written mandate approved by the Board. The Corporation maintains a Governance Manual, which formalizes the governance program for directors and officers.

### **Audit Committee**

The members of the Audit Committee are Larry Shelley (Chair), Roy Barr, and Carl Smith. The Audit Committee has a specific mandate to monitor the audit functions of the Corporation, both internal and external, and report to the Board on the status of these activities. Duly constituted meetings of the Audit Committee were held five times during 2008.

### **Compensation Committee**

The members of the Compensation Committee are Nolan Blades (Chair), Jim Crittall and Ronald Dooley. The Compensation Committee reviews the compensation arrangements of independent directors and corporate executives annually. The process employed generally takes into consideration the size and complexity of the Corporation and the compensation arrangements of its competitors. Duly constituted meetings of the Compensation Committee were held twice during 2008.

### **Governance Committee**

The members of the Governance Committee are Carl Smith (Chair), Ron Dooley, and Larry Shelley. The role of the Governance Committee is to monitor and report to the Board on evolving corporate governance practices and regulations. The Governance Committee is also responsible for evaluating, according to established criteria, candidates proposed for nomination to the Board. One constituted meeting of the Governance Committee was held during 2008.

### **Ethical Business Conduct**

The Corporation has Code of Conduct and Conflict of Interest guidelines for all directors, officers and employees. These guidelines, coupled with our Core Values statement, provide guidance on the philosophy and expectations of all personnel with respect to business ethics.



## **Innovation**

The ability to find innovative solutions, the attitude to deliver exceptional results, and the imagination to work in an integrated manner across our broad service offering are what sets Gemini apart.

Our talented people are the foundation of our organization. Our corporate culture encourages collaboration, creativity and accountability.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*The following discussion of Gemini Corporation's financial and operating results is based upon information available to March 17, 2009 and should be read in conjunction with the Corporation's audited consolidated financial statements and related notes. These discussions include various forward-looking statements and information regarding the markets in which the Corporation operates, demand for the Corporation's products and services and the Corporation's projected results. All statements other than statements of historical fact may be forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates", and similar expressions. The projections, estimates and beliefs contained in such forward-looking statements are based on management's assumptions relating to Gemini's performance and competition within the sectors in which it competes, the continuation of the current regulatory and tax regimes in the jurisdictions in which Gemini operates, and necessarily involve known and unknown risks and uncertainties, including risks and assumptions relating to client service demand, field service costs, labour rates, and other factors that may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. These forward-looking statements have been made as of the date of this MD&A, and the Corporation assumes no obligation to update or revise them except as required by applicable securities laws.*

The financial statements of the Corporation have been prepared by Management in accordance with Canadian generally accepted accounting principles (GAAP) and all dollar amounts have been reported in Canadian Dollars. Financial statements that are prepared to conform to GAAP require Management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, with actual results potentially differing from those estimates. The financial statements have, in Management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized in the notes to the consolidated financial statements.

## OVERVIEW

Gemini Corporation offers a range of interrelated services including project management, engineering, fabrication, construction and maintenance for oil and gas and industrial facilities within Canada and internationally. Founded in 1982, Gemini is a leading provider of engineered solutions and field services through either stand-alone or integrated service approaches to a broadening client base in the energy, environmental and industrial sectors. The Corporation's principal target markets are conventional oil and gas, unconventional gas, heavy oil, industrial, and renewable energy. It operates within two reporting segments, Engineering and Field Services. The Engineering segment is represented by GKX Engineering Limited Partnership and operates in the marketplace as Gemini Engineering, GEM Production Management and GenSolutions. The Field Services segment is represented by Kinetic Projects Limited Partnership and is comprised of three divisions: Construction, Fabrication and Maintenance.

## COMPARISON OF YEARS ENDED DECEMBER 31, 2008 AND 2007

### CONSOLIDATED FINANCIAL HIGHLIGHTS

<i>(\$000s except per share data)</i>	<b>December 31, 2008</b>	December 31, 2007
Revenue	<b>\$ 78,230</b>	\$ 67,340
Gross profit	<b>14,119</b>	13,629
Earnings before interest and taxes	<b>3,888</b>	330
Net earnings (loss)	<b>2,992</b>	(264)
Earnings per share – basic	<b>0.084</b>	(0.010)
– diluted	<b>0.084</b>	(0.010)
Total assets	<b>28,554</b>	26,739
Total long-term liabilities	<b>3,277</b>	4,280

### SUMMARY OF QUARTERLY CONSOLIDATED RESULTS

<i>(\$000s except per share data)</i>	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	<b>\$ 18,847</b>	<b>\$ 20,810</b>	<b>\$ 19,852</b>	<b>\$ 18,721</b>	\$ 16,868	\$ 19,780	\$ 13,594	\$ 17,098
Gross profit	<b>3,196</b>	<b>4,094</b>	<b>3,379</b>	<b>3,450</b>	3,379	3,814	3,044	3,392
Net earnings (loss)	<b>2,218</b>	<b>556</b>	<b>210</b>	<b>8</b>	4	415	(316)	(366)
Per share – basic	<b>0.064</b>	<b>0.015</b>	<b>0.005</b>	<b>0.000</b>	(0.000)	0.011	(0.010)	(0.011)
Per share – diluted	<b>0.064</b>	<b>0.015</b>	<b>0.005</b>	<b>0.000</b>	(0.000)	0.011	(0.010)	(0.011)

The 2008 year started out strong with significantly increased backlogs of work in Field Services and a growing opportunity list within Engineering. This robust activity was supported by continued strength in the heavy oil market and improving natural gas prices through the first half of the year. Unfortunately, weakening commodity prices, the credit crisis, and the resulting economic meltdown over the last half of 2008 caused a significant reduction in the once healthy backlog of work. Client decisions to delay or cancel projects due to the economic uncertainties began to negatively impact revenues and earnings in the latter part of the fourth quarter. Up to that point in the year, project activity remained solid in both Engineering and Field Services as is indicated by the improving quarterly results. The fourth quarter earnings were solely attributable to the gain realized on the sale of certain land that is explained later in this section of the MD&A.

Efforts to secure new projects to rebuild the diminishing backlog of work into 2009 accelerated as the last half of the year unfolded. The most promising areas of opportunity are in unconventional gas and renewable energy where projects are anticipated to be secured for 2009. The Corporation's traditional market of conventional oil and gas is still active, but the number and value of projects has reduced significantly. Sales and marketing efforts are being directed toward identifying and securing new client opportunities that will help to sustain revenue levels at or near those achieved in 2008.

Consolidated revenues in 2008 increased 16% to \$78 million from \$67 million in 2007. This increase was attributable to the Field Services segment where revenues increased 26% to \$56 million as a result of significantly higher heavy oil project work. The year over year revenues for the Engineering segment remained consistent overall at \$22 million, but revenues were higher in the latter half of the year. At year end, the backlog of work for Field Services was impacted the most by the dramatic slowdown in heavy oil activity. Engineering, on the other hand, has less involvement in heavy oil and is expected to remain active into 2009 with numerous opportunities identified to augment the current backlog of work.

Gross profits for 2008 declined to 18% of revenue from 20% in the prior year. This reduction was a result of lower margins on Field Services work driven principally by an increasingly competitive environment within the oil and gas services industry. Efforts to enhance project controls and increase efficiencies resulted in certain improvements, but they were insufficient to sustain targeted gross profit levels. Improvements in Engineering utilization rates significantly increased gross profits for this segment in the last half of the year and helped to offset the impact of some of the Field Services decline.

General and administrative expenses for 2008 were reduced to 16% of revenue from 18% in 2007. Costs were successfully held steady while activity levels increased for the year. Overall, G&A costs increased \$200,000 due to the cost of carrying certain unoccupied office space until it was sublet in the fourth quarter. The majority of the surplus office space has been sublet to the end of the lease term in April 2010. A significant proportion of the G&A costs are fixed and the current infrastructure should be sufficient to support the Corporation's short and medium-term requirements.

During 2008, the Corporation sold its two parcels of land located on the outskirts of Fort Saskatchewan in separate transactions. The first 16-acre parcel was sold in the second quarter for proceeds of \$720,000 and a gain of \$341,000. The second 80-acre parcel was sold for proceeds of \$4,950,000 and a gain of \$2,888,000. As part of the second transaction, the Corporation entered into a lease agreement for 20 acres of the 80-acre parcel to preserve access to the land for future operating requirements for a five year term. No specific activities are contemplated for this property given the current market conditions, but when client demand for this capacity returns the property is planned to be used for assembly of modules and other construction applications.

## SEGMENTED RESULTS

### ENGINEERING

<i>(\$000s)</i>	<b>December 31, 2008</b>	December 31, 2007
Total revenue	<b>\$ 21,814</b>	\$ 22,444
Gross profit	<b>8,313</b>	7,383
Earnings (loss) before interest and taxes	<b>1,976</b>	(207)

Ongoing uncertainties over natural gas prices and high field installation costs in the conventional oil and gas market had the effect of lowering revenues in the first half of 2008 by \$3.5 million compared to the same period of 2007. This shortfall was virtually eliminated by year end through successfully securing projects in the first half of the year that increased the workload for the remainder of the year. The available work in the conventional oil and gas sector has become much more spread out across the western provinces as a result of the Alberta royalty changes and various clients deciding to redirect capital spending outside of Alberta. The Corporation has a solid history of successfully providing engineering services to clients operating across western Canada and therefore this issue should have minimal impact on revenues.

The more important consideration is the current economic challenges being experienced throughout the world and causing many organizations to reduce or curtail spending. This is expected to create a much more competitive environment for all service providers and steps are being taken to increase contact with existing and potential clients in an effort to collaborate on addressing their needs. The unconventional gas and alternative energy markets continue to be relatively active and opportunities, both domestically and internationally, have been identified in these markets that are expected to help build the backlog of work for 2009. The Corporation's efforts to increase awareness of its capabilities in the heavy oil market have been successful, but the dramatic decline in activity in this market has resulted in the identified projects being put on hold indefinitely. Marketing and sales resources are being carefully directed toward areas of the market that will preserve short-term activity levels and build momentum for the future as the Corporation's target markets recover.

Staff utilization rates steadily increased through the first half of 2008 and were close to optimal levels for the remainder of the year. This resulted in improved gross profits and brought the Engineering segment close to expected levels of profitability. Initiatives to further improve operating efficiencies and enhance project management practices are an ongoing process targeted at increasing the value clients receive through the services provided. These efforts are expected to improve the Corporation's competitiveness in these tightening market conditions and establish processes that will deliver stable profitability well into the future.

**FIELD SERVICES**

(\$000s)	December 31, 2008	December 31, 2007
Total revenue	<b>\$ 56,416</b>	\$ 44,896
Gross profit	<b>5,806</b>	6,246
(Loss) earnings before interest and taxes	<b>(1,274)</b>	571

Revenues for the Field Services segment remained fairly consistent for most of the year as a result of the solid backlog of work secured late in 2007 and into early 2008. It was in the latter part of the fourth quarter as heavy oil activity began to decline that revenues reduced as well. Overall, the volume of revenue for the year was 14% below plan and the margins earned were significantly less than expected. As 2008 unfolded, the high cost of fabrication and construction work in the oil and gas market was put in the spotlight and clients began to cut back on projects or have them rebid in order to press service providers into reducing prices. This situation became even more pronounced as commodity prices began to decline and the credit crisis permeated through the industry. These factors constrained margins for the year and reduced profitability significantly in the fourth quarter.

The Corporation is responding to this rapid decline in activity and reduced pricing expectations by carefully examining all efficiency targets and cost categories for potential savings. A broad-based effort involving various levels of the organization is underway to identify and help secure opportunities to replace the diminishing backlog of work. Emphasis is being placed upon the markets in which the Corporation has extensive experience outside of the heavy oil market. In addition, greater focus is being placed upon delivering services on an integrated basis wherein the Corporation would deploy its full complement of capabilities to secure larger proportions of any given project. A certain amount of success has been achieved in 2008 on this basis and it is expected that clients will be increasingly seeking this form of service delivery to expedite their project completion schedules.

During this period of reduced heavy oil activity, the Corporation has chosen to scale back its fabrication operations to focus on improving the production efficiencies and profitability of this operation. The most significant concern regarding high field costs in the oil and gas industry relates to the very low level of productivity being achieved on projects. Management believes that improving the fabrication efficiencies will provide a competitive edge for the Corporation in the tighter market that is expected to evolve as heavy oil activity recovers. The construction and maintenance divisions will also be reviewing their project controls to identify areas to improve upon their successful 2008 performance.

## LIQUIDITY AND CAPITAL RESOURCES

### FINANCIAL CONDITION HIGHLIGHTS

<i>(\$000s)</i>	<b>December 31, 2008</b>	December 31, 2007
Working capital	<b>\$ 12,403</b>	\$ 7,839
Total assets	<b>28,554</b>	26,739
Shareholders' equity	<b>16,180</b>	12,900
Working capital ratio	<b>2.4:1</b>	1.8:1
Total liabilities to equity ratio	<b>0.8:1</b>	1.1:1

The Corporation's working capital increased significantly to \$12.4 million from \$7.8 million principally as a result of the sale of its land in Fort Saskatchewan. This strengthens the balance sheet and provides adequate financial resources to support anticipated operating requirements through the current economic downturn. At December 31, 2008, the Corporation was in compliance with its bank covenants and financial ratio obligations.

At December 31, 2008, the Corporation had a \$10 million revolving operating credit facility available, of which \$1.3 million was drawn. This facility is expected to be adequate to support all operating requirements for the foreseeable future. The Corporation also has a surety bond facility providing coverage for specific projects based upon each project's unique requirements.

The Corporation's \$4 million term facility is renewable annually and has been extended to August 1, 2010. Should the provider choose not to extend the facility at maturity then it is designed to immediately convert into a term loan with repayment required over a 24-month period. As part of the land sale mentioned previously, it was agreed with the lender that \$1 million of the term debt would be repaid early in 2009 and as a result this amount has been classified as a current liability at December 31, 2008. This repayment does not affect the available credit limit of \$4 million under this term facility.

The Corporation purchased \$1.2 million in capital assets in 2008, with this amount being split roughly equally between field service operating assets and general computer software and hardware. At December 31, 2008, the Corporation also had future operating lease commitments totalling \$12.5 million in relation to premises, vehicles and office equipment extending beyond 2013. These commitments are in the normal course of business and are not expected to create any financial constraints for future operations.

On December 17, 2008, accumulated dividends on the Corporation's 6.6% Series I Cumulative Preferred Shares ("Preferred Shares") were declared in the amount of \$155,422 and subsequently paid on January 30, 2009. The outstanding 1,177,440 Preferred Shares are held by a holding company under the control and direction of Mr. Carl Johnson, Gemini's President and CEO. Any decision to pay dividends is determined by the Board of Directors in relation to the Corporation's working capital and capital asset requirements.

## FINANCIAL INSTRUMENTS

The Corporation holds various forms of financial instruments comprised of accounts receivable, accounts payable and bank indebtedness. The Corporation's operations expose it to interest rate risk and industrial credit risks. The Corporation manages its exposure to these risks by operating in a manner that minimizes its exposures to the extent practical as follows:

### FAIR VALUES

The fair values of the Corporation's current financial instruments do not differ significantly from their carrying values due to their short-term maturities. The fair value of the Corporation's banking facilities approximate their carrying value since they bear interest at rates that vary with the bank prime rate.

### CREDIT RISK

A significant portion of the Corporation's trade accounts receivable are from the energy industry and as such, the Corporation is exposed to all the risks associated with that industry. However, the majority of these receivables are from established clients with excellent credit-worthiness, thereby reducing the credit risk substantially.

### INTEREST RATE RISK

The Corporation's short and long term borrowings are subject to floating interest rates. The floating rate debt is subject to interest rate cash flow risk as the required cash flows to service the debt will fluctuate with changes in market rates.

## BUSINESS RISKS AND CRITICAL SUCCESS FACTORS

### CYCLICAL MARKET

A significant portion of Gemini's business is in the energy resource industry, and as a result, the cyclical nature of this industry becomes an inherent risk for the Corporation. The fluctuating commodity prices of oil, natural gas, and electricity affect the cash flows of clients, which in turn, affect their service providers. The Corporation's revenues and operating results may be subject to material fluctuations on a quarterly or annual basis as a result of these factors.

### DIVERSIFICATION INTO OTHER INDUSTRIES

In an effort to mitigate the cyclical risk of the energy resource industry, the Corporation has been diversifying into other industries requiring services in keeping with the Corporation's core competencies. The principal areas of diversification are within the renewable energy, environmental, and industrial sectors. Wind power, cogeneration, waste management, and biomass handling are all specialized areas requiring engineering, construction, and fabrication capabilities similar to the services offered to existing energy resource clients. In addition, engineered products involving new technology and process improvements are an area of focus offering diversification opportunities.

### HUMAN RESOURCES

Gemini's ability to attract and retain qualified personnel is a risk and an area of uncertainty because it is not possible to be assured of the continued availability of these individuals. Every effort is taken to mitigate this risk by offering a number of incentives including competitive compensation and benefits, training, share ownership, and a positive corporate culture that is considered attractive by existing personnel.

**SAFETY AND QUALITY CONTROL**

The safety of personnel and the quality of work performed by the Corporation are success factors that form the foundation of the Corporation's reputation. As a service provider, a strong reputation is essential to preserving existing relationships and developing new business.

**INTERNAL CONTROL AND MANAGEMENT PRACTICES**

The development of solid internal control procedures and timely management practices are crucial to ensure corporate performance and financial reporting integrity. Management is continuing to take steps to ensure that growth is managed successfully through the addition of personnel and financial resources and the implementation of enhanced internal controls.

**CLIENT MERGERS AND ACQUISITIONS**

The risk and uncertainty from mergers among energy companies, whether large or small, is ever present. In order to minimize this risk, the Corporation continues to take steps to add new clients and thereby broaden its client base.

**FINANCIAL RESOURCES AND ABILITY TO RAISE CAPITAL**

The working capital position of the Corporation remains solid and the present financing arrangements are sufficient to meet the needs of the organization. The current credit market challenges are being closely monitored for any potential impact upon the Corporation. Due to the cyclical nature of the business, however, having sufficient financial resources to sustain the organization and its growth presents an element of risk to the Corporation.

**CRITICAL ACCOUNTING ESTIMATES**

The Corporation's significant accounting policies are described in Note 2 to the consolidated financial statements. The preparation of these statements requires the use of estimates and judgments that affect the reported revenues, expenses, assets, liabilities, and shareholders' equity. Accounts receivable is an area of particular attention, where all accounts are individually evaluated for collectability and an allowance for doubtful accounts is established where necessary. In addition, long-lived assets and goodwill are evaluated annually for potential impairment based upon Management's assessment of future value. These estimates and judgments are based on historical experience and various assumptions, which Management believes to be reasonable in the circumstances. Future events cannot be anticipated with certainty and as such, these estimates and assumptions may change as additional evidence is gathered, new circumstances arise, or the Corporation's operating environment changes.

The Field Services segment applies the percentage-of-completion method of revenue recognition to determine periodic revenue allocations for certain projects in progress at the end of each month. This methodology requires the use of estimates based on the historical knowledge and experience of Management, the specific circumstances of the project, and the anticipation of future events in order to determine various factors. These include the stage of project completion, future costs to be incurred in the completion of the project, and an estimate of the final gross margin to be earned. These estimates are continually evaluated and may change based upon significant or unanticipated changes in future events; the cost and availability of labour; the cost, availability and delivery timing of materials or components; or the occurrence of unexpected difficulties in the completion of a project. At the end of each month, Management reviews each of the projects in progress and evaluates the reasonableness of each estimate. A contribution margin analysis is prepared to ensure that the appropriate revenues and costs are being recorded over the course of each project.

### ACCOUNTING POLICY CHANGES

Effective January 1, 2008, the Corporation adopted the CICA revised standards on the presentation and disclosure of financial instruments Section 3862 and 3863, "*Financial Instruments – Disclosure and Presentation*" and Section 1535, "*Capital Disclosures*". These new standards provide enhanced disclosure relating to financial instruments and the Corporation's policies and processes for managing capital. In addition, the Corporation adopted Section 3031, "*Inventories*", which replaces Section 3030, and requires enhanced disclosure and measurement of inventories at the lower of cost and net realizable value. This currently has no material impact on the Corporation.

### INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Canadian Accounting Standards Board has established January 1, 2011 as the date IFRS will replace the current Canadian GAAP for publicly accountable enterprises. Gemini's first reporting period under IFRS will be the interim financial statements for the period ended March 31, 2011 and first IFRS annual financial statements for the year ended December 31, 2011.

The Corporation has completed the scoping phase of its IFRS changeover plan, which includes a detailed timeline for assessing, resourcing, training and analyzing key differences along with selecting accounting policies under IFRS and IFRS 1 exemptions. The Corporation plans to assess the impact on business activities, accounting policies, information systems and internal controls over financial reporting during the period to the transition date. The transition to IFRS is not expected to result in a significant change to current accounting policies other than the ones related to fixed asset componentization and the identification of cash generating units. These changes will require more detailed recordkeeping but are not expected to materially impact the Corporation's operating results.

Gemini intends to proceed with integration of the selected accounting policies for the opening balance sheet on January 1, 2010, which will be used for comparative purposes once the IFRS conversion is effective on January 1, 2011. The Corporation has identified key internal personnel with expertise to manage its transition to IFRS. Over the course of 2008, Gemini staff were involved in external IFRS training and development by means of attending conferences, participating in special interest seminars, and focusing on numerous training sessions put on by various service firms specializing in IFRS conversion.

### INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE

Management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for maintaining internal controls over financial reporting and disclosure. Financial reporting controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP. Disclosure controls are designed to provide reasonable assurance that all relevant information is gathered and reported to Management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management does not expect that the internal controls over financial reporting and disclosure will prevent or detect all errors or instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Corporation have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Internal controls can also be circumvented by collusion or improper management override. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

## OUTLOOK

The current economic conditions and the level of uncertainty through the majority of the Corporation's markets are going to make 2009 a challenging year. Business and consumer confidence has been seriously impacted by the economic events occurring over the latter part of 2008 and into early 2009. This lack of confidence is expected to constrain capital spending and maintain pressure on commodity prices, which will result in fewer project opportunities and increased competition for those that are approved to proceed. At this point in time, it is expected that it will take more than an improvement in commodity prices to bring the Corporation's markets back to a healthy level of activity.

During this period of market uncertainty, Management will be continuing to focus on diversifying the markets and client base to sustain activity levels. The Corporation's breadth of capability and the variety of clients currently being served provides visibility and relationships within a wide range of industries. This market access is expected to provide a certain advantage over some of the competition and the sales force will be leveraging this position. In addition, it is believed that Gemini's unique integrated service offering will be a competitive advantage as clients seek to shorten schedules to achieve positive cash flows from their projects as quickly as possible.

It is expected that 2009 will be a year of investment in maintenance and upgrades of existing infrastructure and this is a particular area of expertise for the Corporation. The project opportunities already booked and anticipated to be released should provide a certain level of stability to the revenue stream. Opportunities in unconventional gas, both domestically and internationally, are also expected to provide a reasonable backlog of work. The market for renewable energy solutions has remained relatively active through the current economic conditions and project opportunities in this sector are expected to develop through 2009. There are also select areas of activity in various sectors and our challenge will be to identify these opportunities early to build a relationship with the client in order to earn the work.

The Corporation is continuing to focus on executing its growth strategy, although in the current market conditions, revenue growth will be a challenge for 2009. The emphasis for this year will be on improving efficiencies and optimizing earnings in what is expected to be a very competitive environment.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

### **To the Shareholders of Gemini Corporation:**

The accompanying consolidated financial statements and all information in this annual report has been prepared by Management. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and, where appropriate, reflect Management's best estimates and judgments. Management is responsible for the accuracy, integrity, and objectivity of the consolidated financial statements within reasonable limits of materiality. To assist Management in the discharge of these responsibilities, the Corporation maintains a system of internal controls designed to provide reasonable assurance that accounting records are reliable and assets are safeguarded.

The accompanying consolidated financial statements and Management's Discussion and Analysis have been reviewed by the Audit Committee and approved by the Board of Directors of the Corporation. The Audit Committee, consisting of independent directors, meets with Management, as well as with the external auditors, to be satisfied that Management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated annual financial statements for presentation to the shareholders. The external auditors have direct access to the Audit Committee.

The consolidated financial statements have been audited independently by KPMG LLP on behalf of the shareholders, in accordance with generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Corporation..



**Carl Johnson**  
President and Chief Executive Officer



**Robert Brookwell**  
Executive Vice President and Chief Financial Officer

March 17, 2009

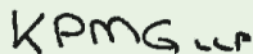
## AUDITORS' REPORT

### To the Shareholders of Gemini Corporation:

We have audited the consolidated balance sheet of Gemini Corporation as at December 31, 2008 and 2007 and the consolidated statements of earnings (loss), other comprehensive income (loss) and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Calgary, Canada

March 17, 2009

## CONSOLIDATED BALANCE SHEETS

<i>As at December 31,</i>	<b>2008</b>	2007
<b>ASSETS</b>		
Current		
Accounts receivable (Note 4)	<b>\$ 16,851,334</b>	\$ 14,722,802
Work in progress	<b>3,812,105</b>	1,809,377
Income taxes receivable	–	247,747
Inventory	<b>549,071</b>	315,029
Future income taxes (Note 13)	<b>11,817</b>	12,504
Prepays	<b>275,542</b>	290,239
	<b>21,499,869</b>	17,397,698
Capital assets (Note 5)	<b>5,485,158</b>	7,786,933
Deposits	<b>159,649</b>	159,649
Intangible assets (Note 6)	<b>238,236</b>	223,428
Goodwill (Note 6)	<b>1,170,808</b>	1,170,808
	<b>\$ 28,553,720</b>	\$ 26,738,516
<b>LIABILITIES</b>		
Current		
Bank indebtedness (Note 7)	<b>\$ 1,332,169</b>	\$ 4,744,823
Accounts payable (Note 8)	<b>5,890,079</b>	4,212,074
Dividends payable (Note 12)	<b>155,422</b>	–
Unearned revenue	<b>350,683</b>	290,808
Income taxes payable	<b>289,373</b>	–
Current portion of long term liability	–	146,304
Current portion of pension plan liability (Note 9)	<b>11,772</b>	11,772
Current portion of capital lease obligations (Note 10)	<b>67,577</b>	153,068
Current portion of long term debt (Note 7 and 11)	<b>1,000,000</b>	–
	<b>9,097,075</b>	9,558,849
Pension plan liability (Note 9)	<b>6,315</b>	18,087
Future income taxes (Note 13)	<b>265,925</b>	193,568
Capital lease obligation (Note 10)	<b>4,337</b>	68,221
Long term debt (Note 11)	<b>3,000,000</b>	4,000,000
	<b>12,373,652</b>	13,838,725
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 12)	<b>6,293,898</b>	6,261,772
Contributed surplus (Note 12)	<b>1,751,389</b>	1,339,744
Retained earnings	<b>8,134,781</b>	5,298,275
	<b>16,180,068</b>	12,899,791
	<b>\$ 28,553,720</b>	\$ 26,738,516

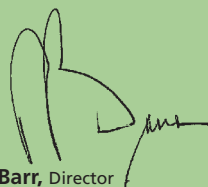
Commitments (Note 19)

See accompanying notes to the consolidated financial statements

On Behalf of the Board of Directors



Carl Johnson, Director



Roy Barr, Director

## CONSOLIDATED STATEMENTS OF EARNINGS (LOSS), OTHER COMPREHENSIVE INCOME (LOSS) AND RETAINED EARNINGS

<i>For the year ended December 31,</i>	<b>2008</b>	2007
Revenue	<b>\$ 78,229,910</b>	\$ 67,340,223
Project costs	<b>64,110,490</b>	53,711,605
Gross profit	<b>14,119,420</b>	13,628,618
Expenses and other income		
General and administration	<b>12,361,981</b>	12,150,468
Depreciation and amortization	<b>1,098,511</b>	1,148,595
Gain on sale of land <i>(Note 5)</i>	<b>(3,229,496)</b>	–
Current interest expense	<b>319,119</b>	241,961
Long-term interest expense	<b>213,588</b>	169,787
	<b>10,763,703</b>	13,710,811
Earnings (loss) before income taxes	<b>3,355,717</b>	(82,193)
Income taxes <i>(Note 13)</i>		
Current	<b>290,745</b>	(126,021)
Future	<b>73,044</b>	307,570
	<b>363,789</b>	181,549
Net earnings (loss) and other comprehensive income (loss)	<b>\$ 2,991,928</b>	\$ (263,742)
Earnings (loss) per share <i>(Note 14)</i>		
Basic	<b>\$ 0.084</b>	\$ (0.010)
Diluted	<b>\$ 0.084</b>	\$ (0.010)
Retained earnings, beginning of the year	<b>\$ 5,298,275</b>	\$ 5,644,492
Net earnings (loss)	<b>2,991,928</b>	(263,742)
Dividends declared <i>(Note 12)</i>	<b>(155,422)</b>	(82,475)
Retained earnings, end of the year	<b>\$ 8,134,781</b>	\$ 5,298,275

See accompanying notes to the consolidated financial statements

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>For the year ended December 31,</i>	2008	2007
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	<b>\$ 2,991,928</b>	\$ (263,742)
Add back non-cash items:		
Depreciation and amortization	<b>1,098,511</b>	1,148,595
Stock-based compensation	<b>424,219</b>	651,808
Gain on sale of land	<b>(3,229,496)</b>	–
Loss on sale of other assets	<b>10,973</b>	23,436
Future income tax	<b>73,044</b>	307,570
	<b>1,369,179</b>	1,867,667
Changes in working capital balances <i>(Note 17)</i>	<b>(2,075,605)</b>	895,445
Cash (used in) provided by operations	<b>(706,426)</b>	2,763,112
<b>FINANCING ACTIVITIES</b>		
Decrease in bank indebtedness	<b>(3,412,654)</b>	(523,142)
Increase in long term debt	–	1,000,000
Decrease in long term liability	<b>(146,304)</b>	(146,304)
Repayment of capital lease obligations	<b>(153,377)</b>	(218,339)
Decrease in pension plan liability	<b>(11,772)</b>	(11,772)
Proceeds on issue of common shares	<b>19,552</b>	9,200
Redemption of preferred shares	–	(64,112)
Dividends paid	–	(82,475)
Cash used in financing activities	<b>(3,704,555)</b>	(36,944)
<b>INVESTING ACTIVITIES</b>		
Acquisition of capital assets	<b>(1,215,259)</b>	(2,686,844)
Proceeds on sale of land	<b>5,669,686</b>	–
Other	<b>(43,446)</b>	(39,324)
Cash provided by (used in) investing activities	<b>4,410,981</b>	(2,726,168)
Change in cash	–	–
Cash, beginning of the year	–	–
Cash, end of the year	<b>\$ –</b>	\$ –

See accompanying notes to the consolidated financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. NATURE OF OPERATIONS

These consolidated financial statements include the accounts of the Corporation and those of its wholly-owned subsidiaries presented in Canadian dollars. Gemini Corporation conducts business through two limited partnerships, namely GKX Engineering LP and Kinetic Projects LP. GKX Engineering LP represents the engineering operations and operates in the marketplace as Gemini Engineering, GEM Production Management and GenSolutions. Kinetic Projects LP represents the field services operations comprised of the fabrication, construction and maintenance divisions.

### 2. CHANGE IN ACCOUNTING POLICY AND ACCOUNTING STANDARDS PENDING ADOPTION

On January 1, 2007, the Corporation adopted Section 3855 of the Canadian Institute of Chartered Accountants (CICA) Handbook *“Financial Instruments – Recognition and Measurement”*, Section 3861 *“Financial Instruments – Presentation and Disclosure”*, and Section 1530 *“Comprehensive Income”* as well as Sections 3865 and 3251 of the CICA Handbook, namely *“Hedges”* and *“Equity”* respectively. Prior periods were not restated.

Effective January 1, 2008, the Corporation adopted the revised standards on the presentation and disclosure of financial instruments Section 3862 and 3863, *“Financial Instruments – Disclosure and Presentation”* and Section 1535, *“Capital Disclosures”*. These new standards provide enhanced disclosure relating to financial instruments and the Corporation’s policies and processes for managing capital. In addition, the Corporation adopted Section 3031, *“Inventories”*, which replaces Section 3030, and requires enhanced disclosure and measurement of inventories at the lower of cost and net realizable value. This currently has no material impact on the Corporation.

The Canadian Accounting Standards Board has established January 1, 2011 as the date IFRS will replace the current Canadian generally accepted accounting principles (“GAAP”) for publicly accountable enterprises. Gemini’s first reporting period under IFRS will be the interim financial statements for the period ended March 31, 2011 and first IFRS annual financial statements for the year ended December 31, 2011. Gemini intends to proceed with integration of the selected accounting policies for the opening balance sheet on January 1, 2010, which will be used for comparative purposes once the IFRS conversion is effective on January 1, 2011.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of presentation

The consolidated financial statements of the Corporation have been prepared by Management in accordance with Canadian GAAP. The preparation of consolidated financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in Management’s opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below. Intercompany transactions and balances have been eliminated in these consolidated financial statements. All amounts are presented in Canadian dollars. Certain comparative figures have been reclassified to conform to the current year’s presentation.

**b) Work in progress**

Work in progress is carried at estimated billing value. Depending upon the terms of the contract, billing value has been calculated based on Management's estimate of the percentage of completion or direct hours worked along with estimated contribution margin expected on each project.

**c) Inventory**

Inventory consists of raw materials and is stated at the lower of cost, as determined on a first-in first-out basis, and net realizable value.

**d) Capital assets**

Capital assets are recorded at cost less accumulated depreciation. Depreciation is recorded using the declining balance method over the assets' estimated useful lives, with the following annual depreciation rates:

Computer software	25%
Computer hardware	30%
Vehicles and trailers	30%
Field equipment	20%
Office and shop equipment	20%
Portable buildings	10%
Land improvements	10%
Building	4%

Leasehold improvements are amortized straight-line over the life of each lease.

Costs associated with the acquisition of assets are included in the capital cost of the related asset. In the case of land acquired for development, interest and property taxes are capitalized up to the point of commencing development. Once development begins, costs are then capitalized to the facilities being constructed until they are available for use.

**e) Impairment of long-lived assets**

Long-lived assets, comprised of building and land, are evaluated for impairment when events and circumstances indicate that the asset's carrying value may not be recoverable. Impairment is recognized when the net carrying value is greater than the sum of undiscounted cash flows expected to be earned. The Corporation estimates fair value based upon current prices for similar assets.

**f) Goodwill and intangible assets**

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and is not subject to amortization. Intangible assets are valued at the time of acquisition and are amortized on a straight-line basis over a period of five years. Any intangibles that are deemed to have an indeterminable life are carried at cost until further information is available to determine the appropriate amortization period. Goodwill and intangible assets are tested for impairment on an annual basis, or more frequently if events or circumstances indicate the asset might be impaired.

**g) Defined benefit pension plan**

The Corporation accrues for obligations under a defined benefit pension plan and the related costs, net of plan assets. The cost of the pension is actuarially determined using the projected benefit method based on length of service and reflects Management's best estimate of expected plan investment performance, salary escalation and retirement age of the employee.

**h) Leases**

Leases are classified as capital or operating leases. A lease that transfers substantially all the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases whereby lease payments are expensed. Assets recorded under capital leases are depreciated on the same basis as similar assets owned by the Corporation.

**i) Revenue recognition**

The Corporation uses the percentage-of-completion method to account for revenue earned on lump sum or fixed price projects. For all other projects, revenue is recognized at the time the services are provided.

**j) Income taxes**

The Corporation follows the asset and liability method to account for income taxes. The asset and liability method requires that income taxes reflect the future tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax basis. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates that are expected to be in effect when the asset is realized or the liability settled. The effect of a change in tax rates on future tax assets and liabilities is recognized in net earnings in the period in which the change occurs.

**k) Earnings per share**

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding for the year. Diluted earnings per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

**l) Stock-based compensation**

The Corporation accounts for stock-based compensation using the fair-value method of valuing any stock options granted, and as such recognizes an expense over the vesting period of the options. All stock-based compensation awards are approved by the Board of Directors and may have a maximum term of five years with one-third vesting immediately, one-third vesting on the first anniversary date and one-third vesting on the second anniversary date. The Corporation utilizes the Black-Scholes model for the valuation of stock options. The Corporation records compensation expense and contributed surplus based on fair values when options are granted. Upon exercise of the options, any consideration paid plus the attributed contributed surplus is credited to share capital.

**4. ACCOUNTS RECEIVABLE**

	December 31, 2008	December 31, 2007
Trade accounts receivable	<b>\$ 16,964,435</b>	\$ 14,688,873
Allowance for doubtful accounts	<b>(249,985)</b>	(150,000)
Other	<b>136,884</b>	183,929
	<b>\$ 16,851,334</b>	\$ 14,722,802

The aging of trade accounts receivable were:

	December 31, 2008		December 31, 2007	
	Gross Receivable	Allowance	Gross Receivable	Allowance
Current	<b>\$ 8,379,893</b>	\$ –	\$ 6,562,920	\$ –
31 – 60 days	<b>5,428,001</b>	–	5,688,879	–
61 – 90 days	<b>2,204,039</b>	–	1,011,987	–
91 – 120 days	<b>118,250</b>	–	607,576	–
Greater than 120 days	<b>834,253</b>	<b>249,985</b>	817,511	150,000
Total	<b>\$ 16,964,435</b>	<b>\$ 249,985</b>	\$ 14,688,873	\$ 150,000

The Corporation assesses each account on an individual basis to determine whether any allowance is required. Since December 31, 2008, approximately \$190,000 of the amounts older than 90 days have been collected.

**5. CAPITAL ASSETS**

	December 31, 2008		
	Cost	Depreciation and Amortization	Net Book Value
Land and improvements	<b>\$ 356,321</b>	\$ 5,545	<b>\$ 350,776</b>
Buildings and portable buildings	<b>2,167,341</b>	<b>450,911</b>	<b>1,716,430</b>
Vehicles and trailers	<b>261,317</b>	<b>158,068</b>	<b>103,249</b>
Computer hardware and software	<b>3,751,859</b>	<b>2,305,514</b>	<b>1,446,345</b>
Office equipment	<b>1,050,887</b>	<b>533,740</b>	<b>517,147</b>
Shop equipment	<b>1,079,494</b>	<b>451,952</b>	<b>627,542</b>
Field equipment	<b>1,125,025</b>	<b>532,228</b>	<b>592,797</b>
Leasehold improvements	<b>506,250</b>	<b>375,378</b>	<b>130,872</b>
	<b>\$ 10,298,494</b>	<b>\$ 4,813,336</b>	<b>\$ 5,485,158</b>

	December 31, 2007		
	Cost	Depreciation and Amortization	Net Book Value
Land and improvements	\$ 2,653,800	\$ 4,435	\$ 2,649,365
Buildings and portable buildings	2,147,991	329,145	1,818,846
Vehicles and trailers	282,763	135,570	147,193
Computer hardware and software	3,144,779	1,839,730	1,305,049
Office equipment	1,014,195	408,684	605,511
Shop equipment	772,455	326,678	445,777
Field equipment	1,104,276	387,757	716,519
Leasehold improvements	439,020	340,347	98,673
	<b>\$ 11,559,279</b>	<b>\$ 3,772,346</b>	<b>\$ 7,786,933</b>

Included in computer equipment are assets acquired under capital lease at a cost of \$234,461 (December 31, 2007 – \$637,477) with accumulated depreciation of \$134,839 (December 31, 2007 – \$347,643).

In 2008, the Corporation sold two parcels of land totalling 96 acres on the outskirts of Fort Saskatchewan, Alberta for proceeds of \$5,669,686. This land had been acquired in 2007 for a total purchase price of \$2,440,190, which included interest and development planning costs, resulting in a net gain of \$3,229,496. An agreement has been negotiated to lease 20 acres of the land for future operating requirements for a five year term. This property has certain use limitations due to a pipeline corridor passing through the leased land.

## 6. INTANGIBLE ASSETS AND GOODWILL

### a) Intangible assets

	December 31, 2008		
	Assets Subject to Amortization	Technology Development Costs	Total Intangible Assets
Cost	<b>\$ 179,030</b>	<b>\$ 178,559</b>	<b>\$ 357,589</b>
Accumulated amortization	<b>(119,353)</b>	<b>–</b>	<b>(119,353)</b>
	<b>\$ 59,677</b>	<b>\$ 178,559</b>	<b>\$ 238,236</b>

	December 31, 2007		
	Assets Subject to Amortization	Technology Development Costs	Total Intangible Assets
Cost	\$ 179,030	\$ 133,913	\$ 312,943
Accumulated amortization	(89,515)	–	(89,515)
	\$ 89,515	\$ 133,913	\$ 223,428

Intangible assets subject to amortization were acquired in 2005 as part of an acquisition and are being amortized on a straight-line basis over five years. The technology development costs have an indeterminate life pending commercialization of the technology. Amortization of these costs will begin when commercial production utilizing this technology commences.

**b) Goodwill**

Goodwill in the amount of \$1,170,808 was acquired in 2005 through two business acquisitions. Both goodwill and intangible assets are periodically tested for impairment using the earnings multiple methodology to determine the reporting unit's fair value. No impairment was determined to exist at December 31, 2008.

**7. BANK CREDIT FACILITY**

The Corporation has a revolving, demand credit facility for up to a maximum of \$10,000,000. This facility is subject to certain financial covenants and bears interest at bank prime plus 1.75% per annum. The Corporation also has a committed, revolving and extendible credit facility for \$4,000,000 that bears interest at bank prime plus 1.5% per annum (refer to Note 11). All credit facilities are secured by a general security agreement over all present and future acquired assets, a general assignment of accounts receivable and book debts, cross guarantees between the Corporation and each of its subsidiaries and a collateral mortgage on the Ponoka property totalling \$1,500,000. At December 31, 2008 an amount of \$14,000,000 under these facilities was available, of which \$5,332,169 was drawn (December 31, 2007 – \$13,623,853 available and \$8,744,823 drawn). The Corporation was in compliance with its bank covenants and financial ratio obligations at year end. Early in 2009, the Corporation repaid \$1 million of the term credit facility, reducing the balance to \$3,000,000.

**8. ACCOUNTS PAYABLE**

	December 31, 2008	December 31, 2007
Trade accounts payable	<b>\$ 4,257,965</b>	\$ 1,626,308
Accrued project costs	<b>406,857</b>	791,651
Accrued personnel costs	<b>552,763</b>	964,195
GST and PST payable	<b>195,593</b>	186,749
Other accrued expenses	<b>476,898</b>	643,171
	<b>\$ 5,890,076</b>	\$ 4,212,074

## 9. PENSION PLAN

The Corporation contributes to an individual defined benefit pension plan on the basis of the percent of final pay on behalf of the Corporation's president. Amounts noted below are based on an actuarial valuation completed by the Corporation's actuarial consultants as at January 1, 2006. The next actuarial valuation will be prepared in 2009 with an effective date of January 1, 2009.

	December 31, 2008	December 31, 2007
<b>Change in accrued benefit obligation</b>		
Accrued benefit obligation – beginning of the year	\$ 510,419	\$ 445,891
Employer current service costs	32,516	30,248
Interest cost on accrued benefit obligation	(32,516)	34,280
Benefits paid	–	–
Accrued benefit obligation – end of the year	\$ 510,419	\$ 510,419
<b>Change in plan assets</b>		
Fair value of plan assets – beginning of the year	\$ 447,900	\$ 392,584
Employer contributions	44,288	42,020
Benefits paid	–	–
Actual return on plan assets	4,681	13,296
Fair value of plan assets – end of the year	\$ 496,869	\$ 447,900
<b>Reconciliation of funded status</b>		
Plan deficit	\$ (49,255)	\$ (49,255)
Employer contributions after measurement date	31,168	19,396
Unfunded amount	\$ (18,087)	\$ (29,859)

### Weighted-average assumptions

	December 31, 2008	December 31, 2007
Discount rate	7.50%	7.50%
Rate of compensation increase	5.50%	5.50%
Expected rate of return on plan assets	7.50%	7.50%
Expected average remaining service lifetime	2 years	3 years

**10. CAPITAL LEASE OBLIGATION**

	December 31, 2008	December 31, 2007
Capital leases bearing interest at fixed rates ranging from 5% to 11% per annum with both two year and three year repayment terms. Carrying value of equipment under lease equals \$99,622 (December 31, 2007 – \$289,834).	<b>\$ 71,914</b>	\$ 221,289
Less: current portion	<b>(67,577)</b>	(153,068)
	<b>\$ 4,337</b>	\$ 68,221

Minimum lease payments required for each of the next two years are as follows:

2009	70,545
2010	4,441
	74,986
Less: amount representing imputed interest	(3,072)
Balance of lease obligation	<b>\$ 71,914</b>

**11. LONG TERM DEBT**

	December 31, 2008	December 31, 2007
Committed, revolving and extendible term loan maturing on August 1, 2010, requiring interest payments only, payable at bank prime plus 1.5%, and secured by a general security agreement and general assignment of book debts.	<b>\$ 4,000,000</b>	\$ 4,000,000
Less: current portion	<b>(1,000,000)</b>	–
	<b>\$ 3,000,000</b>	\$ 4,000,000

Pursuant to an amended financing agreement entered into on August 1, 2008, the \$4,000,000 credit facility matures two years from the agreement date, and the Corporation is entitled to request an extension of the facility for an additional two year period in the second year of its term. In the event the extension is not granted, the facility automatically converts to a two-year non-revolving reducing term loan at the end of its current term, repayable in 24 equal monthly instalments.

## 12. SHARE CAPITAL

### a) Authorized:

Unlimited number of voting common shares.

Unlimited number of non-voting preferred shares, issuable in series. These preferred shares could be issued in one or more series. The Directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges and conditions attached to the shares.

### b) Issued and outstanding:

	December 31, 2008		December 31, 2007	
	Common Shares	Amount	Common Shares	Amount
Balance, beginning of the period	34,564,203	\$ 5,084,332	34,534,203	\$ 5,071,688
Stock options exercised	90,834	32,126	30,000	12,644
Balance, end of the period	34,655,037	5,116,458	34,564,203	5,084,332
	Preferred Shares	Amount	Preferred Shares	Amount
Balance, beginning of the period	1,177,440	1,177,440	1,241,552	1,241,552
Preferred shares redeemed	–	–	(64,112)	(64,112)
Balance, end of the period	1,177,440	1,177,440	1,177,440	1,177,440
Total share capital	35,832,477	\$ 6,293,898	35,741,643	\$ 6,261,772

- (i) During 2008, 90,834 options were exercised at an average price of \$0.22, resulting in the issue of 90,834 common shares.
- (ii) The 6.6% Cumulative Redeemable Series I Preferred Shares ("Preferred Shares") are non-voting and redeemable at the option of the Corporation for \$1.00 per share.

### c) Stock option plan

The Corporation has a rolling stock option plan for the benefit of employees, officers and directors to encourage them to acquire common shares of the Corporation, thereby aligning their interests with the Shareholders of the Corporation. The option plan permits the granting of options to purchase up to a maximum of 10% of the issued and outstanding common shares of the Corporation. The exercise price of each stock option is equal to the last closing market price of the Corporation's common shares on the day immediately prior to the date of grant, and the maximum period during which an option may be exercised is five years. The options vest one-third immediately and the remainder at one-third on each of the next two anniversaries of the grant date.

	December 31, 2008		December 31, 2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	2,710,168	\$ 0.95	1,741,835	\$ 1.20
Granted	1,080,000	\$ 0.42	1,215,000	\$ 0.54
Exercised	(90,834)	\$ 0.22	(30,000)	\$ 0.14
Cancelled	(1,290,667)	\$ 1.29	(216,667)	\$ 0.78
Expired	(37,334)	\$ 0.14		
Closing balance	2,371,333	\$ 0.57	2,710,168	\$ 0.95
Exercisable at year end	1,492,672	\$ 0.65	1,608,497	\$ 1.02

At December 31, 2008 the Corporation had unexercised options as follows:

	Total Outstanding Options	Average Contractual Life Remaining (Years)	Weighted Average Exercise Price	Total Exercisable Options	Average Contractual Life Remaining (Years)	Weighted Average Exercise Price
\$0.17 to \$0.25	50,000	3.90	\$ 0.17	16,667	3.90	\$ 0.17
\$0.26 to \$0.39	370,000	3.19	\$ 0.33	136,667	3.15	\$ 0.33
\$0.39 to \$0.60	1,486,333	2.69	\$ 0.49	874,338	2.40	\$ 0.50
\$0.61 to \$0.90	150,000	1.34	\$ 0.77	150,000	1.34	\$ 0.77
\$0.91 to \$1.35	235,000	1.22	\$ 0.94	235,000	1.22	\$ 0.94
\$1.36 to \$1.90	80,000	2.34	\$ 1.83	80,000	2.34	\$ 1.83
	2,371,333	2.55	\$ 0.57	1,492,672	2.19	\$ 0.65

During the year, stock-based compensation expenses and corresponding contributed surplus of \$424,219 (December 31, 2007 – \$651,808) were recorded based on fair values of the options at their grant dates. Contributed surplus was reduced and share capital was increased by \$12,574 (December 31, 2007 – \$3,444) as a result of stock options exercised throughout the year. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2008	December 31, 2007
Fair value of options granted	0.25	0.31
Risk-free interest rate	3.04%	4.35%
Expected term (years)	4	4
Expected volatility	78%	73%
Expected dividend yield	Nil	Nil

**d) Dividends**

On December 17, 2008, dividends of \$155,422 were declared on the Preferred Shares and subsequently paid on January 30, 2009.

**13. INCOME TAXES**

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rates to earnings before income taxes. The major components of these differences are explained as follows:

	December 31, 2008	December 31, 2007
Earnings (loss) before income tax	<b>\$ 3,355,717</b>	\$ (82,193)
Corporate income tax rate	<b>29.50%</b>	32.12%
Expected income tax (recovery) expense	<b>989,938</b>	(26,400)
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	<b>28,715</b>	30,742
Stock-based compensation	<b>125,145</b>	209,361
Capitalized costs deductible for tax	<b>(17,513)</b>	(20,776)
Utilization of capital loss carryforward	<b>(297,898)</b>	–
Non taxable portion of capital gain on sale of land	<b>(476,351)</b>	–
Other	<b>11,753</b>	(11,378)
Income tax expense	<b>\$ 363,789</b>	\$ 181,549

The future income tax liabilities are as follows:

	2008	2007
Tax benefit of loss carryforwards	<b>\$ 2,611</b>	\$ 30,430
Tax basis deficiency on depreciable assets	<b>(261,973)</b>	(256,111)
Tax benefit of cumulative eligible capital	<b>5,932</b>	37,514
Tax benefit of financing costs	<b>2,562</b>	7,103
Other	<b>(3,240)</b>	–
	<b>(254,108)</b>	(181,064)
Current portion of future tax assets	<b>11,817</b>	12,504
Long term portion of future tax liabilities	<b>\$ (265,925)</b>	\$ (193,568)

The Corporation utilized the capital loss balance of \$2,019,646 carried forward from previous years to reduce tax payable on the sale of its land in Fort Saskatchewan, Alberta (see Note 5).

**14. EARNINGS PER COMMON SHARE**

	December 31, 2008			December 31, 2007		
	Net Earnings	Weighted Average Shares Outstanding	Per Share	Net Loss	Weighted Average Shares Outstanding	Per Share
Net earnings (loss) for the year	\$ 2,991,928			\$ (263,742)		
Accumulated dividends on Preferred Shares	(77,711)			(77,711)		
Adjusted earnings (loss) for the year	2,914,217			(341,453)		
Basic	2,914,217	34,621,102	\$ 0.084	(341,453)	34,561,244	\$ (0.010)
Effect of stock options		34,747			–	
Diluted	\$ 2,914,217	34,655,849	\$ 0.084	\$ (341,453)	34,561,244	\$ (0.010)

**15. FINANCIAL INSTRUMENTS**

The Corporation holds various forms of financial instruments comprised of accounts receivable, accounts payable, bank indebtedness and long term debt. All financial assets and liabilities except those held for trading and available for sale are measured at amortized cost determined using the effective interest rate method. During the period the Corporation did not hold or issue any derivative financial instruments. Fair values approximate carrying values unless otherwise stated. The carrying values for bank indebtedness and term debt are equal to their fair values since interest is charged on a floating rate basis. The carrying values of all other financial instruments approximate their fair value due to the relatively short period to maturity of the instruments. The Corporation's exposure to risk from its use of financial instruments is presented below, along with the Corporation's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Audit Committee reviews with management the business risks and the processes employed to manage and mitigate these risks. The Corporation's risk management policies are established to identify and analyze material risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

**(a) Credit risk**

Credit risk is the risk of financial loss to the Corporation if a client fails to meet its contractual obligations, and arises primarily from the Corporation's trade accounts receivable. A significant portion of the Corporation's trade accounts receivable are from the energy industry and as such, the Corporation is exposed to all the risks associated with that industry. However, the majority of these receivables are from well-established clients, whose credit-worthiness has been evaluated as acceptable, thereby reducing the risk of material payment default.

The Corporation has an established credit policy under which each new client is analyzed individually for credit-worthiness. The Corporation's review includes external ratings where available, credit reference checks and, in some cases, bank references. Credit-worthiness of existing clients is monitored on an ongoing basis, along with monitoring the amount and age of balances outstanding.

**(b) Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risk by maintaining banking facilities to meet ongoing working capital requirements, and by continuously monitoring forecasted and actual cash flows. The sale of land completed late in 2008 substantially improved the Corporation's working capital position, thereby reducing its liquidity risk.

The Corporation maintains the following credit facilities:

- A \$10 million demand, revolving operating line to meet short-term financing requirements.
- A \$4 million committed, revolving and extendible term facility, maturing August 1, 2010.

Refer to notes 7 and 11 for additional information.

The following are the contractual maturities of financial liabilities, including interest and principal cash flows where applicable:

	Carrying Amount	Contractual Cash Flows	1 Year	1 – 2 Years	3 – 5 Years
Bank operating line	\$ 1,332,169	\$ (1,332,169)	\$ (1,332,169)	\$ –	\$ –
Trade and other payables	5,890,079	(5,890,079)	(5,890,079)	–	–
Dividends payable	155,422	(155,422)	(155,422)		
Other liabilities	18,087	(18,087)	(11,772)	(6,315)	–
Capital lease obligations	71,914	(74,987)	(70,545)	(4,441)	–
Secured bank loan	4,000,000	(4,343,125)	(1,135,000)	(752,969)	(2,455,156)
	<u>\$ 11,467,671</u>	<u>\$ (11,813,869)</u>	<u>\$ (8,594,987)</u>	<u>\$ (763,725)</u>	<u>\$ (2,455,156)</u>

**(c) Interest rate risk**

The Corporation's short and long term borrowings are subject to floating interest rates, which expose the Corporation to interest rate risk. If interest rates had been 1% higher or lower and all other variables were held constant, the Corporation's interest rate expense would have varied approximately \$92,000 for the one year period, which does not significantly impact net earnings. As borrowings subject to floating interest rates increase, the Corporation's sensitivity to interest rates increases.

## 16. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base in order to preserve investor, creditor and market confidence and to sustain future development of the business. The Board monitors investor activity by noting significant market transactions and ongoing trading activity. As a growth company, the Board's strategy is to reinvest all earnings into the development of the business.

The Corporation monitors externally imposed capital requirements as established pursuant to its credit facility agreement. The requirements include the ratio of current assets to current liabilities not to be less than 1.25 to 1.00 (tested quarterly); total funded debt to EBITDA ratio not to exceed 2.75, decreasing to 2.5 in 2009 (tested on a 4-quarter rolling average); minimum consolidated tangible net worth of \$9,000,000 to be maintained at all times. Total funded debt is calculated as all interest bearing debt, including cheques outstanding. EBITDA is defined as the four preceding quarters' consolidated net income before interest, taxes and extraordinary items plus depreciation, amortization and non-cash charges as determined by Canadian GAAP. Tangible net worth is comprised of total assets, excluding all intangible assets, less total liabilities. The Corporation was in compliance with its bank covenants and financial ratio obligations at December 31, 2008.

There were no changes in the Corporation's approach to capital management during the period.

## 17. SUPPLEMENTARY CASH FLOW INFORMATION

	December 31, 2008	December 31, 2007
Changes in non-cash working capital:		
Accounts receivable	<b>\$ (2,128,532)</b>	\$ 1,917,362
Work in progress	<b>(2,002,728)</b>	(592,799)
Income taxes receivable	<b>247,747</b>	647,095
Inventory	<b>(234,042)</b>	42,467
Prepays	<b>14,697</b>	(26,428)
Accounts payable	<b>1,678,005</b>	(1,291,512)
Unearned revenue	<b>59,875</b>	199,260
Income taxes payable	<b>289,373</b>	-
	<b>\$ (2,075,605)</b>	\$ 895,445
Interest paid	<b>\$ 618,797</b>	\$ 502,485
Income taxes paid	<b>\$ 1,377</b>	\$ 187,978

## 18. RELATED PARTY TRANSACTIONS

Preferred Share dividends in the amount of \$155,422 were declared on December 17, 2008 to a related party, RCL Holdings Ltd.

## 19. COMMITMENTS

The Corporation is committed to the following minimum lease payments related to operating leases for premises, vehicles and office equipment:

2009	\$ 3,144,922
2010	2,986,435
2011	1,889,069
2012	1,697,359
2013	1,559,339
Beyond	1,228,689
	<b>\$ 12,505,813</b>

## 20. SEGMENTED INFORMATION

The Corporation has two reportable segments based upon the markets they serve: Engineering and Field Services. Engineering services are provided to a range of clients in various industry sectors. The Engineering segment is comprised of Gemini Engineering, GEM Production Management and GenSolutions. Field Services provides construction, fabrication and maintenance services focused on the supply, installation and maintenance of process equipment for a variety of clients in various industry sectors.

	Engineering		Field Services		Corporate		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Segment revenues	<b>\$ 22,022</b>	\$ 22,636	<b>\$ 56,483</b>	\$ 45,111	<b>\$ –</b>	\$ –	<b>\$ 78,505</b>	\$ 67,747
Inter-segment revenues	<b>(208)</b>	(192)	<b>(67)</b>	(215)	–	–	<b>(275)</b>	(408)
Revenues	<b>21,814</b>	22,444	<b>56,416</b>	44,896	–	–	<b>78,230</b>	67,340
Gross profit	<b>8,313</b>	7,383	<b>5,806</b>	6,246	–	–	<b>14,119</b>	13,629
General and administration	<b>6,337</b>	7,590	<b>7,080</b>	5,674	<b>(1,056)</b>	(1,114)	<b>12,361</b>	12,150
Depreciation and amortization	–	–	–	–	<b>1,099</b>	1,149	<b>1,099</b>	1,149
Gain on sale of land	–	–	–	–	<b>(3,229)</b>	–	<b>(3,229)</b>	–
Interest	<b>193</b>	183	<b>358</b>	297	<b>(17)</b>	(68)	<b>534</b>	412
Earnings (loss) before income taxes	<b>1,783</b>	(390)	<b>(1,632)</b>	274	<b>3,203</b>	34	<b>3,356</b>	(82)
Income taxes (recovery)	<b>536</b>	(117)	<b>(503)</b>	96	<b>331</b>	202	<b>364</b>	182
Net earnings (loss)	<b>\$ 1,247</b>	\$ (273)	<b>\$ (1,129)</b>	\$ 178	<b>\$ 2,872</b>	\$ (170)	<b>\$ 2,992</b>	\$ (264)
Segment assets excluding goodwill	<b>\$ 4,135</b>	\$ 4,843	<b>\$ 17,063</b>	\$ 12,101	<b>\$ 6,186</b>	\$ 8,623	<b>\$ 27,383</b>	\$ 25,568
Goodwill	<b>\$ 320</b>	\$ 320	<b>\$ 851</b>	\$ 851	<b>\$ –</b>	\$ –	<b>\$ 1,171</b>	\$ 1,171
Capital expenditures	<b>\$ –</b>	\$ –	<b>\$ –</b>	\$ –	<b>\$ 1,215</b>	\$ 2,687	<b>\$ 1,215</b>	\$ 2,687

Approximately 77% of the Corporation's revenues were earned through services provided to eight clients (December 31, 2007 – 78% from eight clients). Two clients accounted for 40% of the 2008 revenues (one client representing 25% and the other representing 15%).

## DIRECTORS

### Carl Johnson

*Director, President and CEO, Gemini Corporation*

Carl Johnson founded Gemini Engineering Ltd., a predecessor company to Gemini Corporation, in 1982. He has been involved in the oil and gas industry for over 35 years focusing on engineering, design, and project management services for various types of production facilities. Mr. Johnson holds a Bachelor of Science degree in Chemical Engineering from the University of Calgary and is a Professional Engineer. He was appointed as a director of Gemini Corporation in 1999.

### Roy Barr <sup>1</sup>

*Director, Gemini Corporation*

President, Gage Financial Consultants Inc., DeWinton, Alberta

Roy Barr is President of Gage Financial Consultants Inc., a private consulting firm. He was a founding partner of Barr Shelley Stuart, Chartered Accountants, and The Tamarack Group Ltd., a corporate finance company in Calgary. He has been a director of a number of public companies, as well as not-for-profit organizations providing community services in the Calgary area. He also served for a number of years on the Practice Review committee of the Institute of Chartered Accountants of Alberta. Mr. Barr holds a Bachelor of Commerce degree from the University of Calgary and is a Chartered Accountant. He was appointed as a director of Gemini Corporation in 1999.

### Nolan Blades <sup>2, 3</sup>

*Director, Gemini Corporation*

President, Sunny Gables Holdings Ltd., Calgary, Alberta

Nolan Blades is the President of Sunny Gables Holdings Ltd., a private investment company. Mr. Blades was President, CEO and a Director of Pursuit Resources Limited from 1993 to 2000, prior to which he held senior executive positions with Chauvco Resources Limited and Oakwood Petroleum Limited. He is also a director of Freehold Resources Ltd. and Canoro Resources Ltd. Mr. Blades holds a Bachelor of Science degree in Mechanical Engineering. He was appointed as a director of Gemini Corporation in 2001.

### Jim Crittall <sup>2</sup>

*Director, Gemini Corporation*

Retired Oil Industry Executive, Calgary, Alberta

Jim Crittall is a retired oil and gas industry executive and most recently was President of Natco Canada Ltd., a manufacturer of oil and gas production and process equipment. He has held various senior management positions, primarily in the service sector. Over his 35 year career with Natco, he has gained valuable experience and insight into manufacturing and engineering for oil and gas applications. Mr. Crittall holds an Engineering Technology Diploma from the Saskatchewan Institute of Technology. He was appointed as a director of Gemini Corporation in 2008.

### Ronald Dooley <sup>2, 3</sup>

*Director, Gemini Corporation*

Director and Principal, H&E Projects Ltd., Calgary, Alberta

Ron Dooley is a retired executive with over 30 years of experience in senior management roles in the Canadian oil and gas industry and with a Canadian chartered bank. He is currently a director and principal in H&E Projects Ltd. a private consulting and investment firm. He is also a director of a number of private corporations associated with the energy industry. Mr. Dooley holds a Bachelor of Science degree in Engineering from the University of Alberta and an MBA from the University of Western Ontario. He was appointed as a director of Gemini Corporation in 2005.

### Larry Shelley <sup>1</sup>

*Director, Gemini Corporation*

Vice President, Finance and CFO, Golder Associates Corporation  
Calgary, Alberta

Larry Shelley is Vice President, Finance and CFO of Golder Associates Corporation, a global ground engineering and environmental services firm. Prior to joining Golder, Mr. Shelley was President of SRG Capital Ltd, a private venture capital firm. He was a founding partner of Barr Shelley Stuart Chartered Accountants, which merged with Meyers Norris Penny LLP in 2000, and he then held the position of Executive Vice President of Advisory Services until 2004. He is a director of various public and private companies. Mr. Shelley holds a Bachelor of Commerce degree from the University of Calgary, an ICD.D designation and is a Chartered Accountant. He was appointed as a director of Gemini Corporation in 1999.

### Carl Smith <sup>1, 3</sup>

*Director, Gemini Corporation*

Financial Consultant, Calgary, Alberta

Carl Smith has had a distinguished career spanning 38 years with the Toronto Dominion Bank. At the time of his retirement in 1988, Mr. Smith was Senior Vice-President, Corporate Banking Division, Calgary. Currently, Mr. Smith is self-employed as a Financial Consultant. As an Honorary Chartered Accountant, he has held appointments by the Province of Alberta as a Public Member, both on Council and the Discipline and Appeals Tribunal for the Institute of Chartered Accountants of Alberta. During the past 20 years, Mr. Smith has also been a Director of a number of public and private companies. He was appointed as a director of Gemini Corporation in 2001.

<sup>1</sup> Member of Audit Committee

<sup>2</sup> Member of Compensation Committee

<sup>3</sup> Member of Governance Committee

## OFFICERS AND SENIOR MANAGEMENT

### **Carl Johnson**

*President and CEO  
Gemini Corporation*

### **Rob Brookwell**

*Executive Vice President and CFO  
Gemini Corporation*

### **Blair Harding**

*Vice President, Field Services  
Gemini Corporation*

### **Marlene Quiring**

*Vice President, Business Services  
Gemini Corporation*

### **Glen Roberts**

*Vice President, Business Development  
Gemini Corporation*

### **Andrea Smeenk**

*Corporate Controller*

### **Sharana Basappa**

*General Manager, GenSolutions*

### **Dwayne Boettger**

*General Manager, Maintenance*

### **Rick Buckner**

*General Manager, GEM Production Management*

### **Norm Glover**

*General Manager, Construction*

### **Steve Huitema**

*General Manager, Gemini Engineering*

### **Ray Sharpe**

*General Manager, Fabrication*

## CORPORATE INFORMATION

### LOCATIONS

#### HEAD OFFICE

400, 839 – 5 Avenue S.W.  
Calgary, Alberta T2P 3C8  
Phone: 403-255-2916  
Fax: 403-640-0401  
Web: www.gemini-corp.ca

#### EDMONTON OFFICE

Suite 1900, 10025 – 102A Avenue  
Edmonton, Alberta T5J 2Z2  
Phone: 780-428-2814

#### SHERWOOD PARK OFFICE

#101, 117 Pembina Road  
Sherwood Park, Alberta T8H 0J4  
Phone: 780-416-1112

#### PONOKA PLANT

4100 – 67 Street  
Ponoka, Alberta T4J 1J8  
Phone: 403-783-3365

#### FORT SASKATCHEWAN PLANT

11232 – 87 Avenue  
Fort Saskatchewan, Alberta T8L 2S4  
Phone: 780-998-5460

### EXTERNAL ADVISORS

#### AUDITORS

KPMG LLP  
2700, 205 – 5 Avenue S.W.  
Calgary, Alberta T2P 4B9

#### BANKERS

Bank of Montreal  
950, 350 – 7 Avenue S.W.  
Calgary, Alberta T2P 3N9

#### LEGAL COUNSEL

Gowling Lafleur Henderson LLP  
1400, 700 – 2 Street S.W.  
Calgary, Alberta T2P 4V5

#### REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada  
710, 530 – 8 Avenue S.W.  
Calgary, Alberta T2P 3S8

#### STOCK EXCHANGE LISTING

TSX Venture Exchange: GKK

### ANNUAL MEETING

The Annual and Special Meeting of the Shareholders of Gemini Corporation will be held at the Metropolitan Conference Centre, 333 – 4 Avenue S.W., Calgary, Alberta, on May 27, 2009 at 10:30 a.m. (Calgary time).

Shareholders are encouraged to attend. Those unable to attend are requested to complete and submit the Proxy Form to the Corporation's registrar and Transfer Agent, Computershare Trust Company of Canada.



**Gemini Corporation**

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