



2011 Q3 REPORT

MESSAGE TO SHAREHOLDERS

The demand for Gemini's services continued to improve as the quarter progressed and was significantly better than the second quarter. Revenue gains were strongest for maintenance and fabrication services, which was anticipated based on the increase in demand for engineering that began in late 2010. In the third quarter, all lines of business performed closer to capacity, however, we must remain focused on improving our backlog and operational efficiency. The cost of labour and the related costs for securing the required labour have impacted margins. We anticipate this situation to continue due to the strong demand for personnel generated by the high level of activity in most of our target markets.

Amid the rising concerns over the weakening global economic health, demand for services generally remained strong in the third quarter. Several producers began raising their 2011 capital budgets, and in some instances more than once. 2011 capital budgets have been focused on Oilsands projects, crude oil drilling and liquid-rich gas plays. The increase in activity is supporting our efforts to continually improve engineering services backlog.

Land sales continue to be strong in western Canada, and Alberta sales are very close to the all time calendar year record set in 2006. Drilling activity is high, however, it is unclear how producers may react to the potential slowdown in energy demand driven by the European financial challenges and their impact upon the global economic recovery.

The demand for field services is anticipated to be strong in the fourth quarter, but will continue to remain highly competitive. Our business model is to pursue small sustaining capital projects with existing clients, rather than large field construction projects, however, strategically we will focus on clients that have a high potential to utilize multiple services in an effort to increase capital efficiency.

We continue to implement changes to improve our business development in the pursuit of building backlog with existing and new clients. Our client relationship business development model has been successful in all our lines of business as clients are facing constraints in executing projects. The

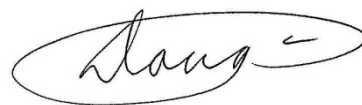
business development model, in combination with the improvements in our systems and processes to deliver fit-for-purpose project solutions, aligns with many of our client's needs.

The high level of activity in our target markets has significantly increased the demand for technical personnel. Gemini has entered into a strategic alliance with a US-based engineering firm, Anvil Corporation, which provides the opportunity to access skilled resources that are located outside Alberta's challenging labour market. In addition, Anvil Corporation has a long history (40 years) of providing quality engineering services to an array of clients in various industry sectors that are complementary to those serviced by Gemini. The alliance significantly increases the resource capacity to grow Gemini by pursuing larger, longer-term projects and projects that utilize Anvil's complementary technical capabilities.

Project backlogs have returned to more reasonable levels across the business. Activity levels in our field services sector continue to increase; however, the availability of craft labour has decreased significantly. In addition to the labour constraint, the field services industry continues to be highly competitive as capacity dwindles. We will focus on the execution of small projects that we believe we can secure and successfully deliver for our key clients.

Current industry forecasts call for continued increases in drilling activity, which supports demand for our engineering and field services for the foreseeable future. For 2012 in particular, those forecasts appear to be mixed due to global economic uncertainty weighing on commodity prices. We will continue to improve our operations and organically grow by strengthening our client relationships. Gemini's success is attributable to our talented personnel, and we are thankful for their efforts and commitment.

On behalf of the Board of Directors,



Doug Lautermilch
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A") – Q3 2011

The following discussion of Gemini Corporation's financial and operating results is based upon information available to November 24, 2011 and should be read in conjunction with its unaudited consolidated financial statements and related notes for the nine months ended September 30, 2011. These quarterly financial statements have been prepared by Management in Canadian dollars and have not been reviewed or audited by the Corporation's independent external auditor.

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 the 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 Corporation has adopted International Financial Reporting Standards (IFRS) for the year ending December 31, 2011. The financial statements for the quarter ended September 30, 2011 have been prepared in accordance with IAS 34 - Interim Financial Reporting, and are within the scope of IFRS 1 – First-time adoption of IFRS, because they are part of the period covered by the Corporation's first IFRS financial statements for the year ended December 31, 2011. These are the Corporation's third IFRS condensed consolidated interim financial statements, including comparatives, prepared on the basis of IFRS. As a result of ongoing review and possible amendments by interpretive guidance from the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), IFRS finally in effect at December 31, 2011 may differ from IFRS and interpretation statements applied in preparing the financial statements.

The preparation of financial statements that conform to IFRS requires 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 is a professional services firm that designs, builds and maintains energy and industrial facilities. Founded in 1982, Gemini provides services on either a standalone basis or by combining engineering and field service capabilities to increase project efficiency and provide a single point of accountability. The Corporation's principal target markets are conventional and unconventional oil and gas, in-situ heavy oil, and heavy industrial facilities. Its services and products are delivered through two business segments focused on project solutions that are both technically innovative and financially sound. The Field Solutions segment provides flexible, cost-efficient fabrication and facility maintenance services. The Engineered Solutions segment specializes in providing clients customized, cost-effective engineering, procurement, and construction management services from concept through to completion. Shares of Gemini trade on the TSX Venture Exchange under the symbol "GKX".

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated Financial Highlights

(\$'000 except per share data)

	3 months ended		9 months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Revenue	\$ 18,845	\$ 20,967	\$ 45,429	\$ 57,198
Gross profit	3,295	4,127	8,622	12,455
Net (loss) income	(122)	379	(1,269)	896
per share - basic	(0.003)	0.011	(0.036)	0.026
- diluted	(0.003)	0.011	(0.036)	0.026
Total assets			26,515	29,183
Total long-term liabilities			391	3,495

Comparison of the Three and Nine Month Periods ended September 30, 2011 and 2010

Gemini's revenue for the third quarter of 2011 continued to improve over the results achieved in the first and second quarters of the year. The increases achieved to date have been a direct result of the Corporation's business development initiatives directed at strengthening client relationships. These efforts have led to greater client diversification and are continuing to produce a growing backlog of work. Revenue for the third quarter recovered to 10% below the level achieved in the same period of 2010, although year to date revenue continues to trail last year's results by 21%. Certain project delays extended schedules and reduced anticipated revenue in the third quarter.

The quarterly and year to date shortfall in revenue is due to significantly reduced field construction work. This has been driven by weak market conditions and management's decision to lessen the Corporation's exposure to risks associated with direct-hire field construction projects. As a result, management has been concentrating on expanding its engineering, maintenance and fabrication operations. Sustaining projects with field construction content will continue to be pursued where there is an opportunity to strengthen existing or target client relationships under manageable project terms.

Robust demand in the Corporation's target markets is leading to optimism for workloads to remain solid into 2012. The long term prospects are encouraging, and concentrated business development efforts are expected to drive increasing revenue through 2012. An ongoing risk to revenue growth is the availability of skilled personnel in both engineering and field disciplines to respond to client requirements in a timely fashion. Efforts to balance workloads and to secure appropriate resources in accordance with project schedules remain key priorities. Clients are continuing to predict strengthening project demand based upon their announced spending plans for the next few years.

Margins have remained tight throughout 2011 and as a result gross profit has been lagging the 2010 performance by over 2% of revenue since the beginning of the year. The revenue reductions previously noted have decreased the amount of fixed cost coverage, therefore accounting for a significant proportion of the gross profit shortfall. In addition, the variability of work flow caused by various client decisions to delay projects causes challenges in maintaining optimum personnel utilization rates. Individual project contribution margins have remained fairly consistent and within management's target range.

General and administrative (G&A) expenses continue to be closely monitored for cost reduction opportunities and thus far in 2011 they have declined more than \$700,000 compared to last year. The majority of these savings are the result of permanent adjustments to the structure of the organization and thus will have a positive impact upon profitability as revenue levels increase. Further adjustments to the operating model of each business unit are being implemented where necessary to minimize both fixed and variable costs. Finance costs remain below 2010 values as a result of lower borrowing balances.

	2011			2010				2009
	Q3 (IFRS)	Q2 (IFRS)	Q1 (IFRS)	Q4 (IFRS)	Q3 (IFRS)	Q2 (IFRS)	Q1 (IFRS)	Q4 (CGAAP)
Revenue	\$ 18,845	\$ 15,208	\$ 11,376	\$ 15,684	\$ 20,967	\$ 18,187	\$ 18,044	\$ 20,895
Gross profit	3,295	3,239	2,088	1,477	4,095	4,167	4,127	3,026
Net income (loss)	(122)	(174)	(974)	(1,545)	375	186	328	(499)
Per share - basic	(0.003)	(0.005)	(0.028)	(0.044)	0.011	0.005	0.009	(0.014)
Per share - diluted	(0.003)	(0.005)	(0.028)	(0.044)	0.011	0.005	0.009	(0.014)

SEGMENTED RESULTS

Field Solutions

(\$'000)

	3 months ended		9 months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Revenue	\$ 13,552	\$ 16,745	\$ 29,403	\$ 42,781
Gross profit	1,903	2,320	3,636	6,633
Income (loss) from operating activities	502	538	(841)	1,265

Third quarter revenue for the Field Services segment decreased 19% from the amount recognized in the same period last year. Fabrication and maintenance revenue increased 33% during this period, but this was not enough to fully offset the reduction experienced in construction revenue. The shortfall compared to last year for both the quarter and the year to date has been a direct result of reduced construction work. Management has been focussed upon lessening the Corporation's exposure to risks associated with direct-hire field construction projects that are increasingly constrained by labour shortages. The Corporation's strategy has been modified to selectively pursue opportunities that strengthen existing or target client relationships under manageable project terms. The market demand for fabrication and maintenance services is forecast to remain strong and current projections indicate that these revenues should more than offset the shortfall from construction in 2012.

Gross profit in the third quarter of 2011 held steady at 14% of revenue which is consistent with the second quarter of this year and the third quarter of last year. The market is competitive and the impact of increasing labour costs is putting pressure on margins. Combine the labour cost escalation with rising material costs and it is becoming more challenging for clients to accept the cost increases without revisiting their project assumptions. As a result, project delays are increasingly being encountered resulting in reduced efficiencies. The scarcity of labour is driving the higher costs and this condition is not one that will be easily solved. Management is carefully monitoring these conditions in order to ensure pricing properly reflects the inherent risks. The current backlog of work is expected to keep activity levels reasonably strong into the early part of 2012 when new project opportunities are anticipated to commence.

Engineered Solutions

(\$'000)

	3 months ended		9 months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Revenue	\$ 5,293	\$ 4,222	\$ 16,026	\$ 14,416
Gross profit	1,392	1,698	4,984	5,712
Income (loss) from operating activities	(540)	(86)	(340)	424

Revenue for the Engineered Solutions segment improved 25% in the third quarter compared to the same period last year. This improvement is a reflection of the gains being made as the market for engineering services strengthens and as the organization focuses on nurturing client relationships. Clients are forecasting growth in their operating and capital budgets for the next few years and the Corporation is positioning to increase its share of those budgets. Revenue is projected to continue strong well into 2012 based upon the current and expected backlog of work.

In the third quarter, the Corporation entered into a strategic alliance with a US-based engineering firm, Anvil Corporation. This alliance provides the Corporation with access to skilled resources that are located outside of Alberta's challenging labour market. Anvil Corporation has a long history of providing quality engineering services to an array of clients in various industry sectors that are complementary to those serviced by Gemini. The alliance also provides the resource capacity to pursue larger, longer-term projects that should reduce the variability of staff utilization in the future. The agreement permits each organization to deploy resources on an hourly rate basis as they are required with no standby costs.

Gross profit for the third quarter declined 18% compared to the same period last year and is now 13% below the year to date results achieved in 2010. These reductions are primarily the result of utilization rate challenges caused by intermittent project delays and the cost of on-boarding and training additional personnel in what has become a very fluid employment market in Alberta. Utilization rates were particularly low in the third quarter as some projects were slow to progress while clients re-evaluated project economics in view of current cost escalation issues. In addition, time was invested in process improvement initiatives directed at minimizing inefficiencies that have been negatively impacting gross profit performance. The process changes implemented should bring margins back in line with expectations and enhance profitability as 2012 unfolds.

LIQUIDITY AND CAPITAL RESOURCES

Financial Condition Highlights

(\$'000)

	September 30,	December 31,
	2011	2010
Working capital	\$ 7,842	\$ 8,802
Total assets	26,515	23,246
Shareholders' equity	13,482	14,661
Working capital ratio	1.6:1	2.1:1
Total liabilities to equity ratio	1.0:1	0.6:1

The Corporation's working capital position at September 30, 2011 has remained consistent since the end of the first quarter at just under \$8.0 million. This level of working capital is adequate to support the operating requirements of the business for the foreseeable future.

In the third quarter, management accepted an offer from Canadian Western Bank for the provision of all banking and lending requirements of the Corporation. The transition of services from the former lender was completed prior to the end of the quarter.

The Corporation had \$2.5 million drawn on its demand overdraft credit facility at September 30, 2011. This facility has an available limit of \$8 million, which is sufficient to meet working capital financing requirements forecast for the foreseeable future. The Corporation was in compliance with its bank covenants and financial ratio obligations at September 30, 2011.

To the end of the third quarter of 2011, property, plant and equipment in the amount of \$276,000 has been purchased, consisting of field vehicles, computer hardware, office and shop equipment, and leaseholds. In addition, \$32,000 has been invested in computer software in 2011.

At September 30, 2011 and at the date of this report, the Corporation's outstanding capital was comprised of 35,000,274 common shares.

ACCOUNTING POLICY CHANGES

The Corporation has adopted International Financial Reporting Standards (IFRS) for the year ending December 31, 2011. The statements for the quarter ended September 30, 2011 have been prepared in accordance with IAS 34 - Interim Financial Reporting, and are within the scope of IFRS 1 – First-time adoption of IFRS, because they are part of the period covered by the Corporation’s first IFRS financial statements for the year ended December 31, 2011. These are the Corporation’s third IFRS condensed consolidated interim financial statements, including comparatives, prepared on the basis of IFRS. As a result of ongoing review and possible amendments by interpretive guidance from the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), IFRS finally in effect at December 31, 2011 may differ from IFRS and interpretation statements applied in preparing these statements.

A number of new standards and amendments to standards are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these interim statements. The Corporation does not plan to early adopt any of these new standards and amendments. Management has not completed its evaluation of the effect of adopting these standards on its financial statements, but the preliminary assessment is that they will not have a material impact on the financial results and financial position.

The new standards that have been issued are IFRS 9 – *Financial Instruments*, which is expected to impact the classification and measurement of financial assets; IFRS 10 – *Consolidated Financial Statements*, establishing principles for the presentation and preparation of consolidated financial statements; IFRS 11 – *Joint Arrangements*, which sets out principles for the financial reporting of joint arrangements; IFRS 12 – *Disclosure of Interests in Other Entities*, to address an interest in a subsidiary, a joint arrangement, as associate or an unconsolidated structured entity; and finally, IFRS 13 – *Fair Value Measurement*, which establishes the principles to define, measure and disclose fair values. In addition, the amendments to standards that have been issued relate to IAS 1 – *Presentation of Financial Statements*, which will improve and align the presentation of items of other comprehensive income in the financial statements; IAS 19 – *Employee Benefits*, establishing the parameters for an entity to recognize termination benefits when it can no longer withdraw an offer of benefits. These standards and amendments become effective for the Corporation’s 2013 fiscal year.

The Corporation’s consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (CGAAP) until December 31, 2010. In preparing the financial statements for the third quarter of 2011, management has recorded transition adjustments on applying IFRS as disclosed in Note 9 to the financial statements. This note includes reconciliations of equity and profit or loss for comparative periods reported under CGAAP to those reported for those periods under IFRS along with reconciliations, descriptions, and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these statements requires the use of estimates and judgments that affect the reported revenue, 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. Long-lived assets, comprised of buildings and land, are evaluated for impairment when events and circumstances indicate that the asset’s carrying value may not be recoverable. When such a determination is made, recoverability is measured by a comparison of the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by the asset. Goodwill and those intangible assets with an indeterminate life are tested for impairment on an annual basis, or more frequently if events or circumstances indicate the asset might be impaired. Share-based payments are determined utilizing the Black-Scholes model for valuation, which entails the application of certain factors and estimates in arriving at the fair-value of any stock options granted.

The Corporation applies the percentage-of-completion method of revenue recognition to determine periodic revenue allocations for fixed price contracts in progress at the end of each reporting period. 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 factors such as the stage of project completion, future costs to be incurred to complete the project, and an estimate of the final gross margin to be earned. These estimates are continually evaluated and could change based upon significant or unanticipated changes in future events; the cost and availability of labour; the cost, availability, and timing of delivery of materials or components; or unexpected difficulties in the completion of a project. At the end of each reporting period, management reviews each of the projects in progress and evaluates the reasonableness of each estimate. A contribution margin analysis is prepared to ensure that appropriate revenue and costs are being recorded over the course of each project. Any loss on a fixed price contract is recognized as soon as the loss becomes evident.

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.

FINANCIAL INSTRUMENTS AND BUSINESS RISKS

The Corporation holds various forms of financial instruments comprised of bank indebtedness, accounts receivable, accounts payable and long-term debt. The Corporation's business risks and critical success factors have not changed materially from those reported in the annual MD&A at December 31, 2010 and it is recommended that readers refer to that document for further information.

OUTLOOK

The oil and gas market in western Canada continues to be quite active, notwithstanding the economic turmoil and uncertainty emanating from Europe. Demand for oil and liquids-rich natural gas is driving the current industry development and there are few indications that this is likely to materially change in the near future. Gemini management is very focussed on increasing its share of this market through enhancing its business development activities and improving operational performance to achieve acceptable profitability. The operating model of the organization has been carefully refined to align with the business strategy and it continues to be important to secure increasing and longer term project backlogs to successfully meet profitability expectations.

The availability of labour and related cost escalation challenges for both engineering and field personnel is a significant challenge. This issue is being closely monitored and various strategies are being employed to minimize the effects. It is expected that this issue will continue to put pressure on margins, which will necessitate continued close scrutiny and optimization of fixed costs. The fourth quarter of 2011 is forecast to continue the trend of improved quarterly profits and robust industry capital budgets planned for 2012 is anticipated to create the demand for our services for a return to annual profitability.

GEMINI CORPORATION**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited - Canadian Dollars)

	<u>Notes</u>	<u>As at September 30, 2011</u>	<u>As at December 31, 2010</u>
ASSETS			
Current assets			
Trade and other receivables		\$ 14,364,480	13,798,087
Work in progress		4,426,879	1,794,051
Income taxes receivable		448,318	174,762
Inventory		498,592	595,265
Prepaid expenses		745,916	562,362
		20,484,185	16,924,527
Non-current assets			
Property, plant and equipment	4	3,940,140	4,104,465
Deposits		117,636	105,918
Intangible assets		802,445	939,892
Goodwill		1,170,808	1,170,808
		6,031,029	6,321,083
TOTAL ASSETS		\$ 26,515,214	\$ 23,245,610
LIABILITIES			
Current Liabilities			
Bank overdraft	5	\$ 2,512,144	\$ 519,792
Trade and other payables		8,781,714	5,333,107
Unearned revenue		1,229,659	57,043
Current portion of software license liability		-	96,832
Current portion of finance lease payables		119,147	115,730
Current portion of loans and borrowings	5	-	2,000,000
		12,642,664	8,122,504
Non-current liabilities			
Deferred taxes		234,500	259,826
Finance lease payable		156,523	202,366
		13,033,687	8,584,696
SHAREHOLDERS' EQUITY			
Share capital		5,230,345	5,230,345
Contributed surplus		2,218,339	2,128,551
Retained earnings		6,032,843	7,302,018
		13,481,527	14,660,914
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 26,515,214	\$ 23,245,610

See accompanying notes to the consolidated financial statements

GEMINI CORPORATION**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**for the periods ended September 30
(Unaudited - Canadian Dollars)

	Notes	Three months ended		Nine months ended	
		2011	2010	2011	2010
Revenue		\$ 18,844,721	\$20,966,655	\$45,428,919	\$57,197,599
Project costs		15,549,932	16,839,203	36,806,800	44,742,995
Gross profit		3,294,789	4,127,452	8,622,119	12,454,604
Administrative expenses		3,393,995	3,495,649	10,194,030	10,929,677
(Loss) income from operating activities		(99,206)	631,803	(1,571,911)	1,524,927
Finance costs		53,940	68,813	163,027	230,670
(Loss) income before income taxes		(153,146)	562,990	(1,734,938)	1,294,257
Income tax (recovery) expense		(31,375)	184,313	(465,763)	397,833
Net (loss) income and other comprehensive income		\$ (121,771)	\$ 378,677	\$ (1,269,175)	\$ 896,424
Earnings per share	7				
Basic		\$ (0.003)	\$ 0.011	\$ (0.036)	\$ 0.026
Diluted		\$ (0.003)	\$ 0.011	\$ (0.036)	\$ 0.026

See accompanying notes to the consolidated financial statements

GEMINI CORPORATION**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

(Unaudited - Canadian Dollars)

	<u>Share Capital</u>	<u>Contributed Surplus</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
Balance, January 1, 2010	\$ 5,221,458	\$ 1,962,619	\$ 7,950,926	\$ 15,135,003
Income for the period	-	-	896,424	896,424
Share based payments	-	140,973	-	140,973
Issuance of share capital	8,887	(3,220)	-	5,667
Balance, September 30, 2010	5,230,345	2,100,372	8,847,350	16,178,067
Loss for the period	-	-	(1,545,332)	(1,545,332)
Share based payments	-	28,179	-	28,179
Balance, December 31, 2010	5,230,345	2,128,551	7,302,018	14,660,914
Loss for the period	-	-	(1,269,175)	(1,269,175)
Share based payments	-	89,788	-	89,788
Balance, September 30, 2011	\$ 5,230,345	\$ 2,218,339	\$ 6,032,843	\$ 13,481,527

See accompanying notes to the consolidated financial statements

GEMINI CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

for the periods ended September 30
(Unaudited - Canadian Dollars)

	Three months ended		Nine months ended	
	2011	2010	2011	2010
Cash flows from operating activities:				
(Loss) income for the period	\$ (121,771)	\$ 378,677	\$ (1,269,175)	\$ 896,424
Adjustments for:				
Depreciation and amortization	227,684	278,111	656,016	813,308
Share-based payments	13,657	47,639	89,788	140,974
Gain on sale of property, plant and equipment	-	-	(9,540)	(15,414)
Loss on investment	-	-	-	6,836
Finance costs	53,940	68,813	163,027	230,670
Income tax expense	(31,364)	184,348	(465,752)	397,833
	142,146	957,588	(835,636)	2,470,631
Changes in :				
Trade and other receivables	(3,853,076)	(2,944,302)	(566,393)	3,357,949
Work in progress	(786,171)	(927,787)	(2,632,828)	(34,847)
Inventories	100,848	13,384	96,673	42,078
Prepayments	(111,075)	(212,195)	(183,554)	(172,683)
Trade and other payables	4,120,948	1,237,887	3,448,607	(480,074)
Unearned revenue	1,093,376	(73,710)	1,172,616	29,233
	564,850	(2,906,723)	1,335,121	2,741,656
	706,996	(1,949,135)	499,485	5,212,287
Interest paid	(53,940)	(68,813)	(163,027)	(230,670)
Income taxes refunded	60,659	247,886	166,870	247,886
Cash (used in) provided by operating activities	713,716	(1,770,062)	503,328	5,229,503
Cash flows from financing activities:				
Increase (decrease) in bank overdraft	1,641,816	1,225,178	1,992,352	(4,898,378)
Decrease in loans and borrowings	(2,000,000)	-	(2,000,000)	-
Decrease in software license liability	(96,832)	(96,832)	(96,832)	(96,832)
Payment of finance lease liabilities	(34,353)	(32,274)	(93,454)	(95,744)
Proceeds on issue of share capital	-	-	-	5,667
Cash provided by (used in) financing activities	(489,369)	1,096,072	(197,934)	(5,085,287)
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(191,346)	(51,143)	(276,351)	(281,980)
Acquisition of intangible assets	(22,444)	(20,580)	(31,684)	(39,472)
Proceeds from disposal of property, plant and equipment	1,162	-	14,359	43,776
Other	(11,718)	103,201	(11,718)	133,460
Cash used in investing activities	(224,346)	31,478	(305,394)	(144,216)
Change in cash	-	(642,513)	-	-
Cash, beginning of the period	-	642,514	-	-
Cash, end of the period	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the consolidated financial statements

1. REPORTING ENTITY

Gemini Corporation (“the Corporation”) is a company domiciled in Canada and incorporated in Alberta with no controlling entity and conducts business through two limited partnerships, namely Gemini Field Solutions Limited Partnership and Gemini Engineered Solutions Limited Partnership. The Corporation is publicly listed on the TSX Venture Exchange under the symbol “GKX”. These unaudited condensed consolidated interim financial statements (“the Statements”) include the accounts of the Corporation and those of its wholly-owned subsidiaries presented in Canadian dollars.

These Statements should be read in conjunction with the Corporation’s consolidated financial statements for the year ended December 31, 2010 and the interim statements for the three months ended March 31, 2011. The Corporation’s consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (CGAAP) until December 31, 2010. The Corporation’s March 31, 2011 interim financial statements were the first IFRS interim financial statements prepared for part of the period covered by the first IFRS annual financial statements. Both sets of statements are available at www.geminiCorp.ca or www.sedar.com.

2. BASIS OF PREPARATION

a) Statement of compliance

The Statements were prepared using the same accounting policies and methods as those used in the Corporation’s March 31, 2011 interim financial statements, which described the policies in detail. These Statements have been prepared in accordance with IAS 34 - Interim Financial Reporting. They are the Corporation’s third IFRS Statements, including comparatives, prepared on the basis of IFRS and are within the scope of IFRS 1 – First-time adoption of IFRS, because they are part of the period covered by the Corporation’s first IFRS financial statements for the year ended December 31, 2011. The Statements do not include all of the information required for full annual financial statements.

In preparing the Statements for the third quarter of 2011, management has recorded transition adjustments on applying IFRS as disclosed in Note 9. This note includes reconciliations of equity and comprehensive income for comparative periods reported under CGAAP to those reported for those periods under IFRS along with reconciliations, descriptions, and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation.

The Statements were authorized for release by the Board of Directors on November 24, 2011.

b) Basis of measurement

The Statements have been prepared on the historical cost basis.

c) Functional and presentation currency

These Statements are prepared in Canadian dollars, which is the functional currency for the Corporation and its subsidiaries.

d) Use of estimates and judgements

The preparation of consolidated financial statements in accordance with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events

GEMINI CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2011 (Unaudited)

that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. In preparing these Statements, the significant judgements made by management applying the Corporation's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

The Corporation's estimates and judgments pertain to various reported balances contained within the financial statements. Accounts receivable are individually evaluated for collectability and an allowance for doubtful accounts is established, where necessary. Long-lived assets, comprised of buildings and land, are evaluated for impairment when events and circumstances indicate that the asset's carrying value may not be recoverable. Goodwill and those intangible assets with an indeterminate life are tested for impairment on an annual basis, or more frequently if events or circumstances indicate the asset might be impaired. Finally, share-based payments are determined utilizing the Black-Scholes model for valuation, which entails the application of certain factors and estimates in arriving at the fair-value of any stock options granted. 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 Corporation also applies the percentage-of-completion method of revenue recognition to determine periodic revenue allocations for certain projects in progress at the end of each reporting period. 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 factors such as the stage of project completion, future costs to be incurred to complete the project, and an estimate of the final gross margin to be earned. These estimates are continually evaluated and could change based upon significant or unanticipated changes in future events; the cost and availability of labour; the cost, availability, and timing of delivery of materials or components; or unexpected difficulties in the completion of a project.

3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these Statements. The Corporation does not plan to early adopt any of these new standards and amendments. Management has not completed its evaluation of the effect of adopting these standards on its financial statements, but the preliminary assessment is that they will not have a material impact on the financial results and financial position.

The new standards that have been issued are IFRS 9 – *Financial Instruments*, which is expected to impact the classification and measurement of financial assets; IFRS 10 – *Consolidated Financial Statements*, establishing principles for the presentation and preparation of consolidated financial statements; IFRS 11 – *Joint Arrangements*, which sets out principles for the financial reporting of joint arrangements; IFRS 12 – *Disclosure of Interests in Other Entities*, to address an interest in a subsidiary, a joint arrangement, as associate or an unconsolidated structured entity; and finally, IFRS 13 – *Fair Value Measurement*, which establishes the principles to define, measure and disclose fair values. In addition, the amendments to standards that have been issued relate to IAS 1 – *Presentation of Financial Statements*, which will improve and align the presentation of items of other comprehensive income in the financial statements; IAS 19 – *Employee Benefits*, establishing the parameters for an entity to recognize termination benefits when it can no longer withdraw an offer of benefits. These standards and amendments are expected to become effective for the Corporation's 2013 fiscal year.

GEMINI CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2011 (Unaudited)

4. PROPERTY, PLANT and EQUIPMENT

	Land & Building	Vehicles	Computer Hardware	Equipment	Leasehold Improvements	Total Assets
Cost at Jan 1, 2011	\$ 2,830,217	\$ 948,418	\$ 1,157,195	\$ 3,661,408	\$ 566,315	\$ 9,163,553
Purchase Additions	29,794	83,220	40,805	95,541	26,990	276,350
Lease Additions	-	51,028	-	-	-	51,028
Disposals	-	-	-	(10,932)	-	(10,932)
Accumulated Depreciation	(1,052,778)	(627,657)	(904,850)	(2,443,772)	(510,801)	(5,539,859)
Net Book Value Sep 30, 2011	<u>\$ 1,807,233</u>	<u>\$ 455,009</u>	<u>\$ 293,150</u>	<u>\$ 1,302,244</u>	<u>\$ 82,504</u>	<u>\$ 3,940,140</u>
Cost at Jan 1, 2010	\$ 2,830,217	\$ 1,008,144	\$ 1,334,128	\$ 3,460,617	\$ 561,915	\$ 9,195,021
Additions	-	38,414	114,139	200,791	4,400	357,744
Disposals	-	(98,140)	-	-	-	(98,140)
Accumulated Depreciation	(979,785)	(527,518)	(1,122,524)	(2,234,289)	(486,045)	(5,350,160)
Net Book Value Dec 31, 2010	<u>\$ 1,850,433</u>	<u>\$ 420,900</u>	<u>\$ 325,743</u>	<u>\$ 1,427,119</u>	<u>\$ 80,270</u>	<u>\$ 4,104,465</u>

As a result of the adoption of IFRS, the Corporation reclassified vehicle operating leases as finance leases. The standards under IFRS also require that acquired computer software be reclassified as an intangible asset. Refer to Note 9 for further explanation on both of these reclassifications.

Certain fully depreciated assets in the amount of \$291,072 that were no longer in use have been adjusted out of both the 2011 cost and accumulated depreciation balances.

At September 30, 2011 the net carrying amount of leased plant and equipment was \$275,670 (December 31, 2010 - \$279,702).

5. LOANS and BORROWINGS

a) Bank overdraft

The Corporation has a revolving overdraft credit facility for up to a maximum of \$8,000,000. This facility is subject to certain financial covenants and at September 30, 2011 bore interest at bank prime plus 1.5% per annum. This credit facility is 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 its Ponoka property. This is a new credit facility that was arranged with a new lender in the third quarter and all obligations to the previous lender were paid out through this facility. At September 30, 2011 an amount of \$8,000,000 under this facility was available, of which \$2,512,144 was drawn (December 31, 2010 - \$10,000,000 available and \$519,792 drawn).

b) Term loan

The Corporation had a \$2,000,000 committed, revolving and extendible term loan maturing on August 1, 2012 that was paid out in the third quarter as part of the financing arrangements completed with a new lender and as a result is no longer available to the Corporation.

c) Compliance

The Corporation was in compliance with its bank covenants and financial ratio obligations at September 30, 2011. The only significant change made to the bank covenants through the new banking arrangements was the replacement of the Total Funded Debt to EBITDA covenant with a cash flow coverage ratio covenant.

GEMINI CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2011 (Unaudited)

6. SHARE-BASED PAYMENTS

During the nine months ended September 30, 2011 the Corporation granted 585,000 options to directors, officers, and employees at an average exercise price of \$0.27 per share. During the same period 652,000 options expired, 451,667 options were forfeited, and no options were exercised. At September 30, 2011, there were 2,633,333 options outstanding at an average exercise price of \$0.33.

7. EARNINGS PER SHARE

The following information was used for the earnings per share calculations:

	Three months ended		Nine months ended	
	September 30		September 30	
	2011	2010	2011	2010
Weighted Average Number of Shares Outstanding				
Basic	35,000,274	35,000,274	35,000,274	34,995,372
Diluted	35,000,274	35,002,407	35,000,274	34,995,000

OPERATING SEGMENTS

The Corporation has two reportable segments operating within Canada based upon the markets they supply: Field Solutions and Engineered Solutions. Field Solutions services a variety of clients in various industry sectors through the delivery of fabrication, maintenance, and sustaining project services. Engineered Solutions provides engineering, procurement and construction management services to a similar client base.

For the Three Months Ended September 30,
(\$000's)

	Engineered Solutions		Field Solutions		Corporate		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	\$ 5,293	\$ 4,222	\$ 13,552	\$ 16,745	\$ -	\$ -	\$ 18,845	\$ 20,967
Gross profit	1,392	1,698	1,903	2,419	-	10	3,295	4,127
General and administration	1,930	1,785	1,401	1,781	(165)	(348)	3,166	3,218
Depreciation and amortization	-	-	-	-	228	278	228	278
Finance costs	9	10	23	22	22	37	54	69
Segment profit (loss) before income taxes	(547)	(97)	479	616	(85)	43	(153)	562
Income taxes (benefit)	(151)	(25)	135	164	(15)	45	(31)	184
Net (loss) income	\$ (396)	\$ (72)	\$ 344	\$ 452	\$ (70)	\$ (2)	\$ (122)	\$ 378
Capital expenditures	\$ -	\$ -	\$ -	\$ -	\$ 191	\$ 91	\$ 191	\$ 91

For the Nine Months Ended September 30,
(\$000's)

GEMINI CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2011 (Unaudited)

	Engineered Solutions		Field Solutions		Corporate		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	\$ 16,026	\$ 14,416	\$ 29,403	\$ 42,781	\$ -	\$ -	\$ 45,429	\$ 57,198
Gross profit	4,984	5,712	3,636	6,732	2	11	8,622	12,455
General and administration	5,324	5,288	4,477	5,367	(263)	(545)	9,538	10,110
Depreciation and amortization	-	-	-	-	656	820	656	820
Finance costs	24	47	81	125	58	59	163	231
Segment profit (loss) before income taxes	(364)	377	(922)	1,240	(449)	(323)	(1,735)	1,294
Income taxes (benefit)	(95)	109	(255)	322	(116)	(33)	(466)	398
Net (loss) income	\$ (269)	\$ 268	\$ (667)	\$ 918	\$ (333)	\$ (290)	\$ (1,269)	\$ 896
Segment assets excluding goodwill	\$ 5,185	\$ 3,806	\$ 14,308	\$ 18,152	\$ 5,852	\$ 6,055	\$ 25,344	\$ 28,013
Goodwill	\$ 320	\$ 320	\$ 851	\$ 851	\$ -	\$ -	\$ 1,171	\$ 1,171
Capital expenditures	\$ -	\$ -	\$ -	\$ -	\$ 276	\$ 321	\$ 276	\$ 321

Approximately 63% of the Corporation's revenue was earned through services provided to eight clients (September 30, 2010 – 79% from eight clients). There were two clients each accounting for more than 10% of revenue and totalling 27% of revenue.

8. EXPLANATION OF TRANSITION TO IFRS

a) Reconciliation of Financial Position

GEMINI CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2011 (Unaudited)

	Note	September 30, 2010		
		Previous Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS				
Current assets				
Trade and other receivables		\$ 18,366,089		\$ 18,366,089
Work in progress		2,904,158		2,904,158
Income taxes receivable				-
Inventory		545,295		545,295
Current tax assets	(a)	6,572	(6,572)	-
Prepaid expenses		822,883		822,883
		<u>22,644,997</u>	<u>(6,572)</u>	<u>22,638,425</u>
Non-current assets				
Property, plant & equipment	(b), (c)	4,763,490	(502,592)	4,260,898
Deposits		109,111		109,111
Intangible assets	(c)	167,839	836,406	1,004,245
Goodwill		1,170,808		1,170,808
		<u>6,211,248</u>	<u>333,814</u>	<u>6,545,062</u>
TOTAL ASSETS		<u>\$ 28,856,245</u>	<u>327,242</u>	<u>\$ 29,183,487</u>
LIABILITIES				
Current liabilities				
Bank overdraft		\$ 1,225,178		1,225,178
Trade and other payables		7,405,926		7,405,926
Unearned revenue		163,741		163,741
Income taxes payable		427,276		427,276
Current portion of employee benefits		63,491		63,491
Current portion of software license liability		96,832		96,832
Current portion of finance leases payable	(b)		128,115	128,115
		<u>9,382,444</u>	<u>128,115</u>	<u>9,510,559</u>
Non-current liabilities				
Deferred income taxes	(a), (b)	285,891	(15,609)	270,282
Finance leases payable	(b)		224,580	224,580
Loans and borrowings	(d)	3,000,000		3,000,000
		<u>3,285,891</u>	<u>208,971</u>	<u>3,494,862</u>
		<u>12,668,335</u>	<u>337,085</u>	<u>13,005,421</u>
SHAREHOLDERS' EQUITY				
Share capital		5,230,345		5,230,345
Contributed surplus		2,100,372		2,100,372
Retained earnings	(b)	8,857,193	(9,843)	8,847,350
		<u>16,187,910</u>	<u>(9,843)</u>	<u>16,178,067</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 28,856,245</u>	<u>327,242</u>	<u>\$ 29,183,487</u>

b) Reconciliation of Comprehensive Income for the three months ended September 30, 2010:

GEMINI CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2011 (Unaudited)

	<u>Notes</u>	Previous Canadian GAAP	Effect of Transition to IFRS	IFRS
Revenue		\$ 20,966,655		\$ 20,966,655
Project costs	(b)	<u>16,871,460</u>	<u>(32,257)</u>	<u>16,839,203</u>
Gross profit		4,095,195	32,257	4,127,452
General and administrative expenses	(b)	<u>3,472,760</u>	<u>22,889</u>	<u>3,495,649</u>
Results from operating activities		622,435	9,369	631,803
Finance costs	(b)	<u>63,280</u>	<u>5,533</u>	<u>68,813</u>
Income (loss) before income tax		559,155	3,836	562,990
Income tax expense	(b)	<u>184,313</u>	-	<u>184,313</u>
Total comprehensive income (loss)		<u>\$ 374,842</u>	<u>\$ 3,836</u>	<u>\$ 378,677</u>
Earnings per share				
Basic		<u>\$ 0.011</u>	<u>\$ 0.0005</u>	<u>\$ 0.011</u>
Diluted		<u>\$ 0.011</u>	<u>\$ 0.0005</u>	<u>\$ 0.011</u>

c) Reconciliation of Comprehensive Income for the nine months ended September 30, 2010:

	<u>Notes</u>	Previous Canadian GAAP	Effect of Transition to IFRS	IFRS
Revenue		\$ 57,197,599		\$ 57,197,599
Project costs	(b)	<u>44,841,521</u>	<u>(98,526)</u>	<u>44,742,995</u>
Gross profit		12,356,078	98,526	12,454,604
General and administrative expenses	(b)	<u>10,866,496</u>	<u>63,181</u>	<u>10,929,677</u>
Results from operating activities		1,489,582	35,345	1,524,927
Finance costs	(b)	<u>212,594</u>	<u>18,076</u>	<u>230,670</u>
Income (loss) before income tax		1,276,988	17,269	1,294,257
Income tax expense	(b)	<u>397,833</u>	-	<u>397,833</u>
Total comprehensive income (loss)		<u>\$ 879,155</u>	<u>\$ 17,269</u>	<u>\$ 896,424</u>
Earnings per share				
Basic		<u>\$ 0.025</u>	<u>\$ 0.001</u>	<u>\$ 0.026</u>
Diluted		<u>\$ 0.025</u>	<u>\$ 0.001</u>	<u>\$ 0.026</u>

GEMINI CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2011 (Unaudited)

d) Adjustments to the statement of cash flows for 2010:

In accordance with IAS 7, interest paid and income taxes paid have been moved into the body of the Statement of Cash Flows, whereas they were previously disclosed as supplementary information. There are no other significant differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under the previous CGAAP.

e) IFRS note explanations:

(a) Under IFRS, deferred income taxes are always classified as non-current. As well, taxes are categorized by the legal entity to which they relate rather than between current and non-current amounts as they were categorized under CGAAP. As a result deferred income tax debits relating to a subsidiary have been reclassified to non-current deferred income taxes.

(b) Property, plant and equipment

The Corporation has capitalized vehicles under finance leases. This resulted in an increase in the carrying value of property, plant and equipment, an increase in finance leases payable and related adjustments to project costs, general and administration, depreciation and amortization, finance costs and income tax expense:

	September 30, 2010
Increase in property, plant and equipment	\$ 638,362
Increase in accumulated amortization	(304,548)
Net increase in property, plant and equipment	<u>333,814</u>
Increase in current finance leases	128,115
Increase in non-current finance leases	224,580
Related decrease in deferred taxes	<u>9,037</u>
Decrease in retained earnings	<u>\$ (9,843)</u>

(c) Under IFRS, computer software is classified as an intangible asset rather than as property, plant and equipment. This resulted in a decrease to property, plant and equipment and an increase to intangible assets as follows:

	September 30, 2010
Reclassification of computer software to intangibles	\$ 2,713,159
Reclassification of accumulated amortization	(1,876,753)
Net reclassification of computer software	<u>\$ 836,406</u>

(d) Elections under IFRS 1:

- (i) Business Combinations – The Corporation has elected to apply IFRS 3 effective January 1, 2010 and therefore has not restated any prior business combinations.
- (ii) Share Based Payments – The Corporation has elected to apply IFRS 2 – “Share Based Payment” only to equity instruments granted after November 7, 2002 that had not vested on or before January 1, 2010.
- (iii) Employee Benefits – The Corporation has elected exemption from the requirement to restate comparative information under IAS 19.
- (iv) The Corporation has elected to determine whether or not an arrangement contains a lease based on the facts and circumstances of the lease existing at January 1, 2010.
- (v) Borrowing costs – The Corporation has elected to apply the transitional provisions in paragraphs 27 and 28 of IAS 23 as at January 1, 2010. No borrowing costs have been capitalized to January 1, 2010.



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