

Offering Memorandum

The Issuer

Date: March 3rd, 2009

Name: **ILI TECHNOLOGIES (2002) CORP.**
Head office Address: 110W, 4760 - 72nd Avenue, S.E., Calgary, Alberta, T2C 3Z2
Phone #: (403) 543-0060
E-mail address: ili@ilitech.com
Fax #: (403) 543-0069
Currently Listed or Quoted: ILI Technologies (2002) Corp. (the "Corporation") is currently listed in on the TSX Venture Exchange under the symbol "ILI".
Reporting Issuer: The Corporation is a Reporting Issuer in Alberta and British Columbia.
SEDAR Filer: Yes

The Offering

Securities offered: Units, with each Unit consisting of 1 Common Share and 1/2 of a Common Share Purchase Warrant (the "Warrant"). Each whole Warrant allows the holder thereof to purchase 1 Common Share at a price of \$0.20 per Common Share on or before April 15th, 2011 whereupon, subject to earlier expiry as detailed herein, such Warrants shall expire.
Price per security: \$0.10 per Unit
Minimum/Maximum offering: The minimum offering is \$0.00 (0 Units) and the maximum offering is \$1,000,000 (10,000,000 Units). As there is no minimum offering, you may be the only purchaser.
Minimum subscription amount: The minimum subscription amount an investor must invest is \$5,000.00 (50,000 Units).
Payment terms: Payment by way of certified cheque or money order payable to the Corporation's solicitors DMBH LLP, in trust.
Proposed closing date(s): At the discretion of the Corporation, there may be one or more partial closings hereunder with the final closing expected to occur on or before April 17th, 2009.
Selling agent: Yes - See item 7.

Resale restrictions

You will be restricted from selling your securities for 4 months and a day - see item 10.

Purchaser's rights

You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See item 11.

No securities regulatory authority has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 8.

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GLOSSARY OF TERMS

In this Offering Memorandum, unless the context otherwise requires, the following words and terms shall have the indicated meanings and grammatical variations of such words and terms shall have corresponding meanings:

"Closing" means the day or days upon which the Units are issued to the Subscribers pursuant to this Offering;

"Corporation" means ILI Technologies (2002) Corp

"Offering" means the offering of the Units described herein or in any amendment hereto;

"Offering Memorandum" means this offering memorandum, including any amendment hereto;

"Subscribers" means those persons subscribing for Units pursuant to this Offering.

In this Offering Memorandum, references to "dollars" and \$ are to the currency of Canada, unless otherwise indicated.

The following Schedules are attached hereto and form a part hereof:

- a) Schedule "A" - Subscription Agreement
- b) Schedule "B" - Risk Acknowledgement Form
- c) Schedule "C" - Certificate of Eligible Investor
- d) Schedule "D" - Certificate of Accredited Investor
- e) Schedule "E" - Form 4C - Corporate Placee Registration Form
- e) Schedule "F" - Sample Warrant Certificate.

Item 1: Use of Net Proceeds

1.1 Net Proceeds

		Assuming min. offering	Assuming max. offering
A	Amount to be raised by this offering ¹	\$0.00	\$1,000,000.00
B	Selling commissions and fees ²	\$0.00	\$140,000.00
C	Estimated offering costs (e.g., legal, accounting, audit)	\$7,500.00	\$15,000.00
D	Net proceeds: $D = A - (B+C)$	(\$7,500.00)	\$845,000.00

Notes:

1. This does not include the Warrants, which if exercised and assuming the maximum offering hereunder would amount to an additional \$1,000,000 in proceeds.
2. See Item 7.

1.2 Use of Net Proceeds

Description of intended use of net proceeds listed in order of priority	Assuming minimum offering	Assuming maximum offering
To Increase the working capital of the Corporation to meet existing and new business needs	\$0.00	\$845,000.00

1.3 Reallocation

The Corporation intends to spend the net proceeds as stated. The Corporation will reallocate funds only for sound business reasons.

1.4 Working Capital Deficiency

The Company has no Working Capital deficiency, proceeds from this offering will be mainly used to position the Company to pursue new business opportunities requiring additional funds and expand existing business.

Item 2: Business of the Corporation

2.1 Structure

The Corporation was incorporated under the *Business Corporations Act* (Alberta) (the "Act") on October 21st, 1996. The Common Shares of the Corporation are listed on the TSX Venture Exchange, trading under the symbol "ILI". The head office of the Corporation is located at 110W, 4760 – 72nd Avenue S.E., Calgary Alberta, T2C 3Z2, and the Registered office is located at 1200, 1015 - 4th Street, SW, Calgary, Alberta, T2R 1J4. The Corporation has 3 wholly owned subsidiaries, those being: (i) ILI Technologies (2002) USA Corp. (ILI-USA), which was incorporated pursuant to the laws of the State of Texas on June 7, 2005 and has its head office located at Suite 925 - 4900 Woodway Dr. – Houston, TX 77056 (ii) CBM Pumps and Services Inc. (CBM) which was incorporated pursuant to the laws of the State of Wyoming on August 1, 2000 (acquired by ILI on March 13, 2006) and has its head office located at 1451 Business Park Circle – Gillette Wyoming – 82717 (iii) ILI Technologies De Mexico, S. de R.L. de C.V. which was incorporated pursuant to the laws of Mexico on April 25, 2008 and has its office located at Galileo 55, 1er piso – Col. Polanco – C.P. 11560 – Mexico, D.F.

2.2 The Corporation's Business

The Corporation manufactures oil field instrumentation and asset tracking hardware and software, specializing in the oil and gas services, as well as the manufacturing and installation of electric submersible pumps and supply of lifting technology to many sectors of the oil and gas industry. The following are the Corporation's main products:

PRESSUREtrax

PRESSUREtrax is a temperature compensated, battery powered, stand-alone recording system that can record pressure, temperature, rate and time simultaneously and can be downloaded from the sensor memory and/or displayed on a remote computer in real time. Pressure transient testing is the engineer's most valuable tool for understanding the reservoir. Surface pressure testing offers many advantages over down-hole testing, affording the luxury of real time data access. Today, the Corporation's *PRESSUREtrax*[™] surface recorder is globally utilized to electronically record data in many test applications such as Build-up, Draw-down, Injection Fall-off, Packer Isolation, Pipeline, Plunger Lift, Pump Monitoring, Post Frac Fall-off and Stabilization, Injection Pressure and Steprate as well as Surface Casing Vent Flow.

SANDtrax

The *SANDtrax* instrument is a non-intrusive measurement device that records acoustical energy created when fluids and particles impinge the inside wall of the pipe. The instrument then filters the frequencies with a digital signal processor to display only the signals created by the particles in the fluid stream. Essential for measuring mass flow and concentrations of sand concentrations in fluids, this system brings numerous benefits to the customer depending upon how the application is used. When sand production is recorded in conjunction with pressures and/or flow rates, the information is invaluable in optimizing operations and reducing costs. The patented *SANDtrax* sand monitoring system is ideal for well cleanout applications, underbalanced drilling, fracture treatments and flow back measurements, coiled tubing clean outs and plug drillouts, production optimization, corrosion control and pipeline pig detection.

Electric Submersible Pump

With a wide variety of applications, our electric submersible pumps can provide a cost effective lift solution. The Corporation's ESPs are multistage centrifugal pumps designed for durability and long run times. In wells with declining reservoir pressure or even in sand producing wells, an ESP pump can provide an economical lift method versus traditional production methods. The Corporation supplies and services a wide variety of ESP solutions. Small applications from 5GPM to over 100 BPD and over are available. Unique design features include tungsten carbide bearings, three types of gas shroudings and advanced fluid intake screens to handle solids. The Corporation offers a "hands on" approach to each and every well to ensure the ESP is running at the highest efficiency.

Thermoflex Piping

The Corporation has acquired the rights to distribute Thermoflex pipe. This revolutionary new flexible piping system can be applied in areas where only steel piping could be used in the past. Thermoflex pipe uses a multi-layer design with mixed plastics to achieve far superior performance compared to traditional flexible pipe. Thermoflex pipe is ideally suited for high pressure, high temperature applications especially when paraffins are present. Typical applications include gathering lines, velocity strings and liners. No cathodic protection or coating is required and installation costs are significantly less than steel.

The Corporation continues to focus on the development of high technology solutions that deliver innovative solutions which improve business performance.

2.3 Development of the Business

The Corporation is an emerging small-cap company that services the oil and gas industry. Originally founded to provide state of the art data collection, maintenance management, asset tracking and analysis tools for the oil and gas industry, the Corporation has since added to its suite of product lines an extensive array of services and solutions.

In March of 2006, the Corporation acquired all of the issued and outstanding shares of CBM Pumps & Service Inc. ("CBM"). CBM supplies and services a wide variety of Electric Submersible Pump ("ESP") solutions. The Corporation offers a "hands on" approach to each and every well to ensure the ESP is running at the highest efficiency. With a wide variety of applications, CBM's electric submersible pumps can provide a cost effective lift solution. The Corporation's ESP's are multistage centrifugal pumps designed for durability and long run times. In wells with declining reservoir pressure or even in sand producing wells, an ESP pump can provide an economical lift method versus traditional production methods.

CBM continues to be the foundation of the Corporation's revenue base and has grown exponentially year over year and is geographically positioned to take advantage of the expected growth in the geographic area including North and South Dakota as well as Montana. Recent oil and gas discoveries as well as ongoing production in these areas have proven that the Corporation's products are being sought after for dewatering applications and low volume oil production.

In addition, the Corporation acquired the rights to distribute Thermoflex pipe in 7 of the U.S. States, 3 of the Western Provinces in Canada, Mexico and China. Thermoflex pipe is a revolutionary new flexible piping system that can be applied in areas where only steel piping could be used in the past. Thermoflex pipe uses a multi-layer design with mixed plastics to achieve far superior performance compared to traditional flexible pipe. Thermoflex pipe is ideally suited for high pressure, high temperature applications especially when paraffin's are present. Typical applications include gathering lines, velocity strings and liners. No cathodic

protection or coating is required and installation costs are much less than steel.

2.4 Long Term Objectives

The Corporation's long term objectives are:

- a) Expand existing CBM business by adding various new pump types.
- b) Corporate growth through new business opportunities.
- c) Positioning the Corporation as the favorite vendor for our customers by providing a wide array of services and products while maintaining our commitment for quality excellence at competitive cost.

2.5 Short Term Objectives

Our business objectives for the next 12 months are as follows:

What the Corporation must do and how will it do it	Target Completion Date	Costs to Complete
The Company intends to raise capital pursuant to this offering and use it to fulfill working capital requirements to fund expected increased level of existing business and new business opportunities.	April 17, 2009	\$845,000

2.6 Material Agreements

The following summarizes the material agreements to which we are currently a party and any material agreement with a related party:

1. CBM mortgage debt: As per the loan agreement dated April 10, 2007 between the company's subsidiary CBM and Wells Fargo Bank, CBM has secured the obligations related to the Wells Fargo Bank Loan with the CBM land and building located in Gillette, Wyoming as collateral. The Wells Fargo Bank Loan is classified as Senior debt and shall be paid in full prior to making any payment on any other debt by CBM. Interest on the Wells Fargo Bank Loan is payable monthly on the 1st day of each month.
2. Office premises lease agreement for Company's headquarter in Canada. The office space lease ends on April 30th, 2012, basic annual rental cost is \$32,040.
3. Office premises lease agreement for Company's office in Houston. The office space lease ends on November 30th, 2010, basic annual rental cost is US\$32,918.

Item 3: Directors, Executive Officers, Promoters and Principal Holders

3.1 Compensation and Securities Held

The following table sets out information about each of the directors and officers of the Corporation and each person who, directly, beneficially owns or controls 10% or more of any class of the Corporation's voting securities:

Name and municipality of principal residence	Positions held and the date of obtaining that position	Compensation paid by the Corporation for the most recently completed financial year and the anticipated compensation payable for the current financial year	Number, type and percentages of the securities of the Corporation held after completion of the minimum Offering	Number, type and percentages of the securities of the Corporation held after completion of the maximum Offering
Guy Farebrother Calgary, Alberta	Chief Executive Officer since November 6, 2008 & Director of the Corporation since October 21, 1996	\$130,734/\$87,500	295,719 Common Shares ² 270,000 Options ⁵	295,719 Common Shares 270,000 Options
Shamel Costandy Calgary, Alberta	Chief Financial Officer since November 6, 2008	\$26,688/\$96,000	0 Common Shares ² 125,000 Options ⁵	0 Common Shares 125,000 Options
Serge Bonnet Calgary, Alberta	Chief Operating Officer since November 6, 2008 & Director of the Corporation since October 27, 1996	\$143,532/\$87,500	410,107 Common Shares ² 150,000 Options ⁵	410,107 Common Shares 150,000 Options
Thomas Milley ³ Calgary, Alberta	Corporate Secretary since November 6, 2008 & Director of the Corporation since March 17 1997	Nil/Nil	110,000 Common Shares ² 160,000 Options ⁵	110,000 Common Shares 160,000 Options
Edward Michielsen ^{3, 4} Edmonton, Alberta	Director of the Corporation since September 15, 2005	Nil/Nil	40,000 Common Shares ² 50,000 Options ⁵	40,000 Common Shares 50,000 Options
John MacMillan ^{3, 4} Calgary, Alberta	Director of the Corporation since September 26, 2006	Nil/Nil	0 Common Shares ² 50,000 Options ⁵	0 Common Shares 50,000 Options
Sprott Asset Management Inc. ¹ Toronto, Ontario	Principal Shareholder	Nil/Nil	2,600,000 Common Shares ¹	2,600,000 Common Shares

Notes:

1. In accordance with a Report Under Part 4 of National Instrument 62-103 dated January 9, 2009 and filed on SEDAR, Sprott Asset Management Inc. exercises control or direction over 12.1% of the issued and outstanding common shares of the Corporation on behalf of several of its managed accounts.
2. The information as to shares beneficially owned or over which a director exercises control or direction, not being within the knowledge of the Corporation, has been furnished by the respective officers and directors individually as of the date hereof.
3. Denotes member of Audit Committee.
4. Denotes member of the Compensation Committee.
5. The following Options to purchase Common Shares of the Corporation have been granted to the following directors and officers of the Corporation: (i) 120,000 Options to Guy Farebrother to purchase Common shares at \$0.96 per Common Share and 150,000 Options at \$0.27 per Common Share: (ii) 125,000 Options to Shamel Costandy to purchase Common shares at \$0.27 per Common Share: (iii) 150,000 Options to Serge Bonnet to purchase Common shares at \$0.27 per Common Share; (iv) 85,000 Options to Thomas Milley to purchase Common shares at \$0.96 per Common Share and 75,000 Options at \$0.27 per Common Share: (v) 50,000 Options to Edward Michielsen to purchase Common shares at \$0.96 per Common Share: and (vi) 50,000 Options to John MacMillan to purchase Common shares at \$0.96 per Common Share.

3.2 Management Experience

The following discloses the principal occupations of the directors and senior officers of the Corporation and their previous experience:

Name	Principal Occupation and Related Experience
Guy Farebrother	Mr. Farebrother, a director and the CEO of the Corporation, is a Registered Engineering Technologist ("RET") who possesses a solid background in engineering management, product development, assembly, and fabrication. Prior to joining the Corporation as Chief Technology Officer, Mr. Farebrother served between 1994 and 1995 as both the Vice-President of Research and Development and as a director at Datalogger Inc. Between 1989 and 1994, Mr. Farebrother held the position of Electronics Department Manager at Canadian Fracmaster Ltd. after working at the corporation as an electronics design technologist for five years.
Shamel Costandy	Mr. Costandy, the CFO of the Corporation, has 17 years of business experience including 7 years in public practice, 7 years in the pharmaceutical industry and 3 years in the oil and gas industry. Prior to joining ILI Technologies, he was the Financial Controller of Stem Cell Therapeutics, a publicly traded Canadian biotech company based in Calgary, AB for almost 4 years. His work experience throughout his career was mainly with multinationals who are leaders in their business including companies like BG Group (a leading UK based player in the global energy market), Organon Nederland BV (a leading Dutch based pharmaceutical – now a subsidiary of Schering-Plough) and he spent 7 years in public practice with Deloitte. Shamel is a licensed US CPA, and a Certified Internal Auditor.

Serge Bonnet	Mr. Bonnet, a director and the Chief Operating Officer of the Corporation, graduated from the Northern Alberta Institute of Technology as an Electronics Technologist in 1982. Between 1984 and 1994, Mr. Bonnet operated the private electronics business in Okotoks, Alberta that he had founded after graduation. In 1994, Mr. Bonnet became the Vice President of Operations at Datalogger Inc. In 1995, Mr. Bonnet became the Corporation's Vice President of Operations and in 2003 Mr. Bonnet assumed the role of the President of the Corporation. Mr. Bonnet contributes nearly 20 years of oil-patch technical experience to the Corporation in addition to an established network of business contacts.
Thomas Milley	Mr. Milley, a director and the Corporate Secretary of the Corporation, is a lawyer and partner in the firm of DMBH LLP. Mr. Milley's legal practice is concentrated on the areas of corporate finance and securities law. In addition, Mr. Milley is currently a director of Anthony Clark International Insurance Brokers Ltd., an insurance brokerage trading on the TSX Venture Exchange with operations in Alberta, Virginia and California.
Edward Michielsen	Mr. Michielsen is currently employed as a District Vice President for TD Canada Trust. He has been employed with TD for over 20 years. He has a Diploma in Business Administration, plus passed the Canadian Securities Course. His background in the financial services sector has provided experience in administration, investment advise, retail credit, commercial credit, sales and service, and people management.
John MacMillan	Mr. MacMillan has thirty five years of oil and gas industry experience in Canada and the USA in the engineering, exploration, production, and service sectors of the business. John is directly involved as a major shareholder, officer, and director of several private and public corporations engaged in oil and gas exploration and production, from incorporation through to the marketing of a product. He has extensive hands on experience in equity financing of companies through private and public financings and entrepreneurial expertise with strong managerial, interpersonal, administrative and technical skills.

3.3 Penalties, Sanctions and Bankruptcy

Other than as set forth below, no officer, director or control person of the Corporation

- (a) is, as at the date hereof, or has been within the last 10 years, a director or executive officer of any company that, while that person was acting in that capacity,
 - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
 - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the last 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the

assets of the proposed director.

1. Mr. Milley was an officer and director of Geosimm Integrated Technologies Company ("Geosimm") which corporation was the subject of an Alberta Security Commission ("ASC") interim cease trade order dated November 12, 1999 for failure to file financial statements and an Alberta Stock Exchange ("ASE") trade suspension dated November 1, 1999. The ASE halted trading in Geosimm shares in December of 1997 due to the unauthorized change in control of Geosimm's principal shareholder which was a private corporation. The individual who gained control of the private corporation was not acceptable to the ASE, and he commenced litigation against Geosimm, certain of its directors and other persons. Geosimm and the other defendants defended against the action which was eventually discontinued by the plaintiffs in the fall of 1999. However, the costs and distractions of defending the action caused Geosimm to divert attention from its product development and this led to a write down of its software assets which in turn caused it to fall below the ASE's minimum continued listing requirements and led to the trading suspension. After the discontinuance of the aforesaid litigation, Mr. Milley took the necessary steps in order to ensure that Geosimm's debts were settled and to recruit new and qualified individuals to take over the operations of Geosimm and then he resigned as an officer and director in December 1999. Pursuant to a take over bid, Geosimm was subsequently acquired by International Datashare Corporation;
2. Mr. MacMillan was a director of Geosimm which corporation was the subject of an Alberta Security Commission ("ASC") interim cease trade order dated November 12, 1999 for failure to file financial statements and an Alberta Stock Exchange ("ASE") trade suspension dated November 1, 1999. The ASE halted trading in Geosimm shares in December of 1997 due to the unauthorized change in control of Geosimm's principal shareholder which was a private corporation. The individual who gained control of the private corporation was not acceptable to the ASE, and he commenced litigation against Geosimm, certain of its directors and other persons. Geosimm and the other defendants defended against the action which was eventually discontinued by the plaintiffs in the fall of 1999. However, the costs and distractions of defending the action caused Geosimm to divert attention from its product development and this led to a write down of its software assets which in turn caused it to fall below the ASE's minimum continued listing requirements and led to the trading suspension; and
3. Messrs. Farebrother, Bonnet, Milley, Michielsen and MacMillan were directors and/or officers of the Corporation during the time (May 7, 2007 through to August 8, 2007) that it was subject to a cease trade order issued by the Alberta Securities Commission and the British Columbia Securities Commission for failure to file its annual financial statements within the time allowed therefore. The Corporation has filed all of the required financial statements and on August 31, 2007, the cease trade orders were lifted.

Item 4: Capital Structure

4.1 Share Capital

The following sets out the capital structure of the Corporation as at the date indicated:

Description of Security	Number authorized to be issued	Number outstanding as at March 3, 2009	Number outstanding after minimum offering	Number outstanding after maximum offering
Common Shares	Unlimited	21,572,428	21,572,428	31,572,428 ¹
Preferred Shares	Unlimited	0	0	0
Options	10% of issued & outstanding common shares.	1,515,000	1,515,000	1,515,000 ²
Warrants	5,000,000	0	0	5,000,000

Note:

1. If the maximum number of Units are sold hereunder, then the subscribers thereto will receive in addition to their Common Shares an aggregate of 5,000,000 Common Share Purchase Warrants which will enable them to purchase an additional 5,000,000 Common Shares at a price of \$0.20 per Common Share.
2. This does not take into account any Agent's Options to purchase Units which may be issued hereunder – See Item 7.

4.2 Long Term Debt

The following sets out the Corporation's Long Term Debt as at the date indicated:

Description of Long Term Debt	Interest Rate	Repayment Terms	Amount Outstanding as at March 1, 2009
Wells Fargo Bank Loan ¹	8.5%	Principal and Interest are repayable monthly and the Loan matures on 2017	US\$ 359,491

Note:

1. The loan was provided to enable the Corporation to purchase premises for its operations in the United States and is secured by a mortgage on the premises acquired.

4.3 Prior Sales

In the last 12 months the Corporation has issued the following Common Shares or options to purchase Common Shares ("Options"):

Date of Issuance	Type of Security Issued	Number of Securities Issued	Price per Security \$	Total Funds Received
June 20, 2008	Options	645,000	0.27	Nil
August 15, 2008	Options	60,000	0.34	Nil
March 2, 2009	Options	125,000	0.27	Nil

Item 5: Securities Offered

5.1 Terms of Securities

The Corporation is offering Units for sale hereunder at a price of \$0.10 per Unit. Each Unit consists of 1 Common Share and $\frac{1}{2}$ of a Common Share Purchase Warrant (the "Warrant"). Each whole Warrant allows the holder thereof to purchase 1 Common Share at a price of \$0.20 per Common Share until the earlier of: (i) 4:30 p.m. (Calgary time) on April 15, 2011; or (ii) on that date which is 30 days after the Corporation has delivered a notice to the holder thereof specifying that the Common Shares of the Corporation have traded over the facilities of the TSX Venture Exchange (or such other stock exchange where the Common Shares of the Corporation may be trading at the time) at a price of at least \$0.30 per Common Share for at least 10 consecutive trading days; whereupon the Warrants shall expire if unexercised. A sample Warrant Certificate is attached as Schedule "F" hereto.

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value. The holders of Common Shares are entitled to dividends, if, as and when declared by the Board of Directors, to one vote per share at meetings of the shareholders of the Corporation and, upon liquidation, to receive the assets of the Corporation as are distributable to the holders of the Common Shares. All of the Common Shares to be outstanding on the completion of this Offering will be fully paid and non-assessable.

5.2 Subscription Procedure

The Corporation is offering a maximum of 10,000,000 Units (\$1,000,000) in the capital stock of the Corporation for sale in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and such other jurisdictions where the Units may be lawfully sold at a price of \$0.10 per Unit, all in reliance upon exemptions from the prospectus requirements of applicable securities legislation. Each Unit consists of 1 Common Share and $\frac{1}{2}$ of a Common Share Purchase Warrant (the "Warrant"). Each whole Warrant allows the holder thereof to purchase 1 Common Share at a price of \$0.20 per Common Share until the earlier of: (i) 4:30 p.m. (Calgary time) on April 15, 2011; or (ii) on that date which is 30 days after the Corporation has delivered a notice to the holder thereof specifying that the Common Shares of the Corporation have traded over the facilities of the TSX Venture Exchange (or such other stock exchange where the Common Shares of the Corporation may be trading at the

time) at a price of at least \$0.30 per Common Share for at least 10 consecutive trading days; whereupon the Warrants shall expire if unexercised.

This offering is not subject to any minimum subscription level, and therefore any funds invested are available to the Corporation and need not be refunded to the purchaser. All subscription funds accepted by the Corporation in respect of the Units (net of expenses) will be used to further the Corporation's business objectives (see "Use of Proceeds"). This offering may be completed in one or more partial closings in the discretion of the Corporation with the final closing expected to occur on or before April 17th, 2009. Investors wishing to subscribe for Units must:

- a) complete and execute the Subscription Agreement in the form attached as Schedule "A" to this Offering Memorandum;
- b) all subscribers (except those from Ontario) must complete and execute the Risk Acknowledgement Form attached as Schedule "B" to this Offering Memorandum;
- c) for subscribers resident in Alberta, Saskatchewan, Manitoba or Prince Edward Island who are investing more than \$10,000.00, complete and execute the Certificate of Eligible Investor attached as Schedule "C" to this Offering Memorandum;
- d) for subscribers resident in Ontario complete and execute the Certificate of Accredited Investor attached as Schedule "D" to this Offering Memorandum;
- e) If the subscriber is not an individual (that is, the subscriber is a corporation, partnership, trust or entity other than an individual) or if the subscriber is a portfolio manager, then complete and sign the "Corporate Placee Registration Form" - Form 4C (Schedule "E" to the Offering Memorandum). If the subscriber has previously submitted this form to the TSX Venture Exchange and there have been no changes to its content then please check the box to that effect on page Schedule "A";
- f) submit payment for the subscription amount by delivering a certified cheque or bank draft payable to "DMBH LLP", in trust on the basis of a subscription price of \$0.10 per Unit; and;
- g) deliver all of the foregoing to DMBH LLP, 1200, 1015 - 4th Street S.W., Calgary, Alberta, T2R 1J4, attention: Thomas Milley.

All subscriptions will be deemed to be an offer to subscribe for the Units, which offer may be accepted or rejected by the Corporation. The subscription funds will be held in trust by DMBH LLP until the expiry of the mandatory two day period prescribed by securities legislation, whereupon they will be released to the Corporation.

Please note that subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the Corporation reserves the right to close the subscription books at any time without notice. Certificates

evidencing the Shares and Warrants issuable pursuant to a subscription for the Units will be available for delivery to subscribers within 15 days of the closing (or partial closing) of the offering.

Item 6: Income Tax Consequences and RRSP Eligibility

You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.

Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.

Item 7: Compensation Paid to Sellers and Finders

While the Senior Officer and Directors of the Corporation will be the lead persons in respect to the sale of this Offering and expect to sell a majority of the Units, the Corporation reserves the right to retain and to pay a maximum cash commission of 14% of the gross proceeds of sales of the Units to any qualified agents who perform services hereunder. In addition, any qualified agents who perform services hereunder will also receive an option to purchase up to 7% of the Units placed by them ("Agent's Options"), such Agent's Option exercisable at \$0.10 per Unit on or before April 15, 2011, whereupon it shall expire

Item 8: Risk Factors

An investment in the Units offered hereunder should be considered highly speculative due to the Corporation's present stage of development, the significant risks inherent in the business of the Corporation and certain other factors. An investment in the Units should only be made by persons who can afford the total loss of their investment. Investors who are not willing to rely on the discretion and judgment of the management of the Corporation should not subscribe for Units. Investors should consider the merits of the investment and should consult their own professional advisors. A prospective investor should consider carefully the following factors.

Investment Risk

1. **Securities Speculative:** The securities of the Corporation are highly speculative. A prospective investor or other person reviewing the Corporation should not consider an investment unless the investor is capable of sustaining an economic loss of the entire investment.
2. **Dilution and sales of additional Common Shares and the exercise of options:** The number of outstanding Common Shares held by shareholders who are not affiliates of the Corporation is large relative to the trading volume of the Corporation's Common Shares. Any substantial sale of the

Common Shares or even the possibility of such sales occurring may have an adverse effect on the market price of the Common Shares.

3. **No intention to declare dividends:** The Corporation has not declared or paid any cash dividends on its Common Shares. The Corporation currently intends to retain any future earnings to fund growth and operations and it is unlikely to pay any dividends in the immediate or foreseeable future. Any decision to pay dividends on its Common Shares in the future will be made by the board of directors on the basis of the Corporation's earnings, financial requirements and other conditions at such time.
4. **The Corporation May Require Additional Capital:** Actual expenses may exceed the Corporation's projected amounts, and actual revenues may be less than the Corporation currently projects, in which case the Corporation may need to raise additional funds from lenders and equity markets in the future. In addition, the Corporation may choose to raise additional financing in order to capitalize on perceived opportunities in the marketplace that may accelerate the Corporation's growth objectives. The Corporation's ability to arrange such financing in the future will depend in part on the prevailing capital market conditions as well as its business performance. There can be no assurance that the Corporation will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to it. If additional equity or debt financing is raised by the issuance of shares, control of the Corporation may change and shareholders may experience dilution to their equity interest in the Corporation.
5. **Resale Restrictions:** You will be restricted from selling your Units for 4 months and a day - see item 10.

Issuer Risk

1. **Key Personnel:** The Corporation is highly dependent on the principal members of its management staff ("Key Personnel") and, in particular, Mr. Guy Farebrother, its Chief Executive Officer. The loss of Mr. Farebrother's services could have the effect of materially impeding the achievement of the Corporation's development objectives. The Corporation has "Keyman Insurance" for Mr. Farebrother. Similarly, the loss of Mr. Serge Bonnet's services as Chief Operating Officer could have the effect of materially diminishing the Corporation's sales initiatives. The Corporation's ability to develop, manufacture, assemble and market its products depends, to a great extent, on its ability to attract and retain highly qualified personnel (and attract new personnel as required). Competition for such personnel is intense and the Corporation must compete in this regard with companies that have substantially greater financial and other resources than it does. If the Corporation is unable to hire and retain qualified employees, the Corporation's business and operating results may be adversely affected. Conversely, if the Corporation fails to reduce staffing levels when necessary, its costs could be

excessive and its business and operating results would be adversely affected. The Corporation may need to hire and retain sales, technical, and senior management personnel to support the planned expansion of its business and to meet the anticipated increased customer demand for its products and services. The Corporation cannot be assured that it will be successful in hiring or retaining new personnel.

2. **The Corporation's Business Could Be Adversely Affected If It Fails to Manage Growth Effectively:** If the Corporation fails to manage its growth effectively, its business and operating results could be adversely affected, which could cause the market price of the Corporation's Common Shares to fall. The Corporation expects to continue to grow its operations domestically and internationally, and to hire additional employees. The growth in the Corporation's operations and staff has placed, and will continue to place, a significant strain on its management systems and resources. If the Corporation fails to manage its future anticipated growth, the Corporation may experience higher operating expenses, and it may be unable to meet the expectations of securities analysts or investors with respect to future operating results.
3. **The Corporation's Products May Contain Defects Which May Result in Liability and/or Decreased Sales:** Despite the Corporation's efforts, we might experience errors or failures in our products, or they might not work as expected, which could delay the development or release of new products or new versions of products, or which could adversely affect market acceptance of the Corporation's products. End-user customers use our products for applications that are critical to their businesses, and they have a greater sensitivity to product defects than the market for software products generally. The Corporation's customers may claim that it is responsible for damages to the extent they are harmed by the failure of any of the Corporation's products. If the Corporation were to experience significant delays in the release of new products or new versions of products, or if customers were dissatisfied with product functionality or performance, the Corporation could lose revenue or be subject to liability for service or warranty costs, and the Corporation's business and operating results could be adversely affected.
4. **Conflicts:** Circumstances may arise where members of the Board of Directors of the Corporation are directors or officers of corporations which are in competition to the interests of the Corporation. No assurances can be given that opportunities identified by such Board members will be provided to the Corporation. Pursuant to the Business Corporations Act (Alberta), directors who have an interest in a proposed transaction upon which the Board is voting are required to disclose their interests and refrain from voting on the transaction. To the knowledge of the Corporation, no director or officer is engaged in any interest in competition to the interests of the Corporation.

5. **Market Acceptance of Products:** The Corporation develops, designs, markets, manufactures, and installs products for the oil and gas industry. As with any products, there is a substantial risk that the marketplace may not accept all of the Corporation's products. Market acceptance of the Corporation's products depends, in large part, upon its ability to demonstrate its products' performance and cost-effectiveness over competing products and upon the success of its sales efforts to secure new customers. No assurance can be given that all of its current or future products will continue to be accepted in the marketplace. If these markets do not develop as anticipated, or if demand for the Corporation's products in these markets does not materialize or occurs more slowly than the management of the Corporation expects, then the Corporation will have expended substantial resources and capital without realizing sufficient revenue, and its business and operating results could be adversely affected.
6. **The Corporation's Quarterly Revenue May Fluctuate, Which Could Cause the Market Price of the Corporation's Common Shares to be Extremely Volatile:** The Corporation may experience a shortfall in revenue in any given quarter. Any such shortfall in revenue could cause the market price of the Corporation's Common Shares to fall substantially. The Corporation's revenues are difficult to forecast and are likely to fluctuate significantly from quarter to quarter due to a number of factors, many of which are outside of the Corporation's control. These factors include:
- a) the possibility that a slowdown could result in reduced demand for the Corporation's products;
 - b) the introduction, timing and market acceptance of new products;
 - c) changes in technology which could require us to modify the Corporation's products or to develop new products;
 - d) the rate of adoption of the Corporation's products and the timing and magnitude of sales of its products and services; and
 - e) the possibility of an overall economic slowdown.
- Investors should not rely on the results of any prior periods as an indication of the Corporation's future performance. If the Corporation has a shortfall in revenue in any given quarter, the Corporation's efforts to reduce its operating expenses in response will likely lag behind the revenue shortfall. Therefore, any significant shortfall in revenue will likely have an immediate adverse effect on the Corporation's operating results for that quarter.

Industry Risk

1. **Technological Trends:** The oil and gas industry is characterized by rapidly changing technology, evolving industry standards and frequent new product offerings. The Corporation may not be able to identify, develop, manufacture, market or support new or enhanced products successfully on a timely basis and may not be able to respond effectively to technological changes or emerging industry standards which could, among other things, have a material adverse effect on the Corporation's

business, operating results or financial condition, any of which could make the Corporation's products obsolete. The Corporation must devote continued efforts and financial resources to develop and enhance existing products and conduct research to develop new products to remain competitive. The development of new, technologically advanced products is a complex and uncertain process requiring high levels of innovation, as well an accurate anticipation of emerging technological and market trends.

2. **Decline in Activity in the Oil and Gas Sector:** A decline in activity in the oil and gas sector could have a negative impact of the Corporation.
3. **The Corporation's Foreign Operations and Sales Create Special Problems That Could Adversely Affect Its Operating Results:** An investment in the Common Shares of the Corporation involves greater risk than an investment in other businesses because the Corporation has operations outside of the Canada, including sales, and client services, and the Corporation plans to expand these international operations. The Corporation's foreign operations are subject to risks, including:
 - a) potential loss of proprietary information due to piracy, misappropriation or weaker laws regarding intellectual property protection;
 - b) imposition of foreign laws and other governmental controls, including trade restrictions;
 - c) fluctuations in currency exchange rates and economic instability such as higher interest rates and inflation, which could reduce the customers' ability to obtain financing or which could make the Corporation's products more expensive in those countries;
 - d) longer payment cycles for sales in foreign countries and difficulties in collecting accounts receivable;
 - e) difficulties in staffing and managing the Corporation's foreign operations; and
 - f) difficulties in coordinating the activities of our geographically dispersed and culturally diverse operations.

In addition, there is a risk of foreign currency translation gains and losses that could adversely affect the Corporation's business and operating results.

4. **External Economic Conditions:** By its nature the Corporation involves numerous assumptions, inherent risks and uncertainties, including but not limited to the following factors: changes in business strategies; general global and local economic conditions; affects of competition and pricing pressures; shifts in market demands; changes in laws and regulations and uncertainties of litigation and timing.
5. **Competition:** The Corporation is in an industry in which intense competition exists. If existing or new competitors gain market share, the Corporation's business and operating results could be adversely affected. Some of the Corporation's competitors have greater financial resources than it does in the areas of sales, marketing and product development. The Corporation's future and existing

competitors could introduce products with superior features and functionality at lower prices than the Corporation's products, and could also bundle existing or new products with other more established products in order to compete with the Corporation. The Corporation's competitors could also gain market share by acquiring or forming strategic alliances with the Corporation's other competitors.

Item 9: Reporting Obligations

The Corporation is a reporting issuer in the provinces of British Columbia and Alberta and the Corporation's Common Shares are listed on the TSX Venture Exchange under the symbol "ILI". As such, information concerning the affairs of the Corporation and its officers and directors may be obtained on the following websites: (1) the SEDAR Website at www.sedar.com; (2) the SEDI Website at www.sedi.ca; and (3) the TSX Venture Exchange Website at www.tsx.com.

Subscribers hereunder will receive the following documents from the Corporation on an annual or ongoing basis: (1) unaudited quarterly reports within the time allowed for by law; (2) Annual Audited Financial Statements within the time allowed for by law; and (3) an Annual Information Circular and Proxy within the time allowed for by law.

Item 10: Resale Restrictions

For trades in British Columbia, Alberta, Saskatchewan and Ontario these securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date the distribution date.

Item 11: Purchasers' Rights

If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

Two -Day Cancellation Right Available to all Purchasers

You can cancel your agreement to purchase these securities. To do so, you must send a notice to DMBH LLP by midnight on the 2nd business day after you sign the agreement to buy these securities.

Statutory Rights of Action in the Event of a Misrepresentation - Available to Residents of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

- (a) The Corporation to cancel your agreement to buy these securities; or
- (b) for damages against the Corporation, every director of the Corporation as at the date hereof and every person who signed the offering memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within:

- (a) 180 days from the day that the you first had knowledge of the facts giving rise to the cause of action; or
- (b) Three years after the date of the transaction that gave rise to the cause of action.

Item 13: Financial Statements

The audited financial Statements of the Corporation for the year ended on December 31st, 2007 (along with comparables for the prior year) and the MD&A thereon, and the unaudited financial statements for the nine month period ended on September 30th, 2008 and the MD&A thereon, are included herewith

ILI Technologies (2002) Corp.

Consolidated Financial Statements

December 31, 2007 and 2006



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Auditors' Report

To the Shareholders of
ILI Technologies (2002) Corp.

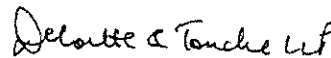
We have audited the consolidated balance sheet of ILI Technologies (2002) Corp. as at December 31, 2007 and the consolidated statements of operations and deficit, comprehensive loss and accumulated other comprehensive loss and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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, 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The comparative financial statements as at and for the year ended December 31, 2006 were audited by another firm of Chartered Accountants whose report dated June 20, 2007 expressed an opinion without reservation on those financial statements.

April 8, 2008


Chartered Accountants

Member of
Deloitte Touche Tohmatsu

ILI Technologies (2002) Corp.

Consolidated Balance Sheets As at December 31, 2007 and 2006

	2007 \$	2006 \$
Assets		
Current assets		
Cash and cash equivalents	1,818,476	1,254,334
Accounts receivable	927,943	1,287,108
Inventory (note 5)	1,709,376	1,700,706
Prepaid expenses and deposits	347,665	328,975
Income taxes receivable	73,481	-
Share subscription receivable (note 8)	-	1,950,000
	<u>4,876,941</u>	<u>6,521,123</u>
Property and equipment (note 6)	1,210,166	552,330
Patents, net of accumulated amortization of \$5,338 (2006 - \$2,345)	10,368	12,874
Goodwill	<u>995,447</u>	<u>992,686</u>
	<u>7,092,922</u>	<u>8,079,013</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	314,907	616,282
Customer deposits	-	980,802
Current portion of long-term debt (note 7)	27,841	-
Current portion of capital lease obligations (note 16)	<u>13,673</u>	<u>6,305</u>
	356,421	1,603,389
Long-term debt (note 7)	358,251	-
Capital lease obligations (note 16)	24,264	17,411
Future income tax liability (note 13)	-	45,834
	<u>738,936</u>	<u>1,666,634</u>
Shareholders' Equity		
Share capital (note 8)	9,460,577	7,395,350
Warrants (note 9)	666,035	1,239,552
Contributed surplus (note 10)	1,758,473	1,130,025
Accumulated other comprehensive income (note 3)	8,249	1,998
Deficit	<u>(5,539,348)</u>	<u>(3,354,546)</u>
	<u>6,353,986</u>	<u>6,412,379</u>
	<u>7,092,922</u>	<u>8,079,013</u>
Commitments (note 15)		

The accompanying notes are an integral part of these consolidated financial statements

Approved by the Board of Directors

Guy Farebrother - "Signed"

Director

Edward Michielsen - "Signed"

Director

ILI Technologies (2002) Corp.**Consolidated Statements of Operations and Deficit
For the years ended December 31, 2007 and 2006**

	2007 \$	2006 \$
Revenue	5,306,492	4,726,456
Direct costs	3,182,805	2,312,515
Gross profit	2,123,687	2,413,941
Expenses		
Selling, general and administrative	3,169,220	2,471,661
Marketing	43,425	91,246
Amortization	183,848	143,465
Interest	67,827	24,532
Loss (gain) on foreign exchange	251,580	(46,834)
Stock-based compensation (note 10)	632,521	177,347
Loss on disposal of property and equipment	2,218	-
	4,350,639	2,861,417
Loss before income taxes	(2,226,952)	(447,476)
Provision for future income taxes (recovery) (note 13)	(42,150)	-
Net loss for the year	(2,184,802)	(447,476)
Deficit - Beginning of year	(3,354,546)	(2,907,070)
Deficit - End of year	(5,539,348)	(3,354,546)
Loss per share (note 12)		
Basic	-0.10	(0.03)
Diluted	-0.10	(0.03)

The accompanying notes are an integral part of these consolidated financial statements

ILI Technologies (2002) Corp.

**Consolidated Statements of Comprehensive Loss and Accumulated Other
Comprehensive Loss
For the years ended December 31, 2007 and 2006**

	2007	2006
	\$	\$
Net loss for the year	(2,184,802)	(447,476)
Other comprehensive income (loss)		
Change in foreign currency translation adjustment	6,251	1,998
Comprehensive loss	(2,178,551)	(445,478)
Accumulated other comprehensive loss, beginning of year	1,998	-
Other comprehensive income for the year	6,251	1,998
Accumulated other comprehensive loss, end of year	8,249	1,998

The accompanying notes are an integral part of these consolidated financial statements

ILI Technologies (2002) Corp.
Consolidated Statements of Cash Flows
For the years ended December 31, 2007 and 2006

	2007 \$	2006 \$
Cash provided by (used in)		
Operating activities		
Net loss	(2,184,802)	(447,476)
Items not affecting cash		
Amortization	183,848	143,465
Stock-based compensation	632,521	177,347
Income tax recovery	(42,150)	-
	(1,410,583)	(126,664)
Decrease in non cash working capital (note 17)	(976,053)	(859,415)
	(2,386,636)	(986,079)
Financing activities		
Cash received from share subscriptions receivable (note 8)	1,950,000	-
Payments on capital lease obligations	(11,779)	(1,502)
Issuance of common shares, net of issue costs	1,439,837	2,812,560
Repayment of long term debt	(12,906)	-
New long term financing	398,998	-
	3,764,150	2,811,058
Investing activities		
Acquisition of CBM	-	(1,238,582)
Purchase of property and equipment	(813,124)	(370,322)
Cash acquired on acquisition of CBM	-	20,860
Patent costs	-	(426)
	(813,124)	(1,588,470)
Increase in cash and cash equivalents	564,390	236,509
Effect of foreign exchange on cash and cash equivalents	(248)	6,464
	564,142	242,973
Cash and cash equivalents - Beginning of year	1,254,334	1,011,361
Cash and cash equivalents - End of year	1,818,476	1,254,334
Cash	185,797	759,909
Fixed short term deposit at 4.6% (2006 - 2.25%)	1,632,679	494,425
	1,818,476	1,254,334
Supplemental information		
Cash interest paid:	\$ 67,827	\$ 24,532
Cash taxes paid:	\$ -	\$ -

Supplemental cash flow information (note 17)

The accompanying notes are an integral part of these consolidated financial statements

ILI Technologies (2002) Corp.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

1 Nature of business

ILI Technologies (2002) Corp. (the "Company") was incorporated under the Business Corporations Act on October 21, 1996. The Company primarily sells products and services to the oil and gas sector. The Company has three principal product types, the rental and sale of oilfield measurement technology equipment, the sale of artificial lift products and services in the United States and Canada and lastly, the sale of Thermoflex tubing in the United States, Canada, and Mexico. Artificial lift products are electrical submersible pumps and pump-related parts used in the oil and gas industry. Thermoflex tubing is a lightweight, reinforced tubing product for use in the oil and gas industry.

2 Summary of significant accounting policies

Principles of consolidation

These consolidated financial statements include the accounts of ILI Technologies (2002) Corp. and its wholly-owned subsidiaries, ILI Technologies (2002) USA Inc. ("ILI USA") and CBM Pumps and Services ("CBM") and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Intercompany transactions and balances have been eliminated upon consolidation.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks or financial institutions. Cash equivalents are short-term (less than 90 days when purchased), term deposits issued by a chartered financial institutions.

Inventory

Inventory is valued at the lower of cost (determined on a first-in, first-out basis) and net realizable value. Inventory represent parts held for the assembly of the Company's artificial lift products and services, and oilfield measurement technology equipment. Work-in-progress is made up of circuit boards assembled by the Company for the oilfield measurement technology equipment.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided for using the following annual rates using the declining balance method:

Building	5%
Vehicles and trailers	20% to 30%
Equipment under capital lease	20%
Oilfield measurement equipment	20%
Furniture and equipment	20% to 30%
Computer hardware	30%
Leasehold improvements	Straight line over lease term

Patents

Patents are recorded at cost and include legal and other associated costs. Patent costs are amortized on a straight-line basis over the effective life of the patent which is estimated to be ten years (using a 12% declining balance). The carrying value of patents related to a project is limited to the estimated future net cash flows expected to be derived from the project. *Patent costs in excess of estimated future net cash flows are written off. Patents are reviewed annually with respect to their useful life or more frequently if events or changes in circumstances indicate the asset is impaired.*

ILI Technologies (2002) Corp.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Revenue recognition

The Company's revenue is derived from Electrical Submersible Pump ("ESP") sales and pump-related parts sales and services, Thermoflex tubing sales, and other equipment sales and rentals. The Company recognizes service revenue as work is performed and collection is reasonably assured. Revenue from product sales is recorded when the products are delivered and collection is reasonably assured. Revenue from equipment rentals is recorded based upon usage. Upfront rental payments are deferred and recognized over the term of the related rental agreement.

Income taxes

Income taxes are accounted for using the liability method of income tax allocation. Under this method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determinable based on the tax laws and rates that are anticipated to apply in the period of realization. Future income tax assets or liabilities are calculated using substantively enacted tax rates that apply in the periods that the temporary differences are expected to reverse. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the new rate is substantively enacted.

Stock based compensation

The Company recognizes the value of equity instruments awarded to employees and non-employees in the financial statements using the fair value method. The Company calculates the value of stock options issued at the date of grant using the Black-Scholes option pricing model with consideration of factors specific to the company. For options granted to employees and directors, the value is recognized at the date of grant and is deferred and expensed over the period the options vest, with a corresponding increase to contributed surplus. For options granted to consultants, an expense is recognized as services are provided. The Company accounts for forfeitures of stock options as they occur.

Earnings per common share

Basic earnings per share are computed by dividing earnings by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if options or warrants to purchase common shares were exercised. The treasury stock method is used to determine the dilutive effect of options, whereby any proceeds from the exercise of options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

Goodwill

Goodwill resulted from business combinations and represents the portion of the purchase price that was in excess of the fair value of net identifiable assets acquired. Goodwill is recorded at cost and is not subject to amortization. It is tested at least annually for impairment. The impairment test for goodwill is a two-step process. Step one consists of a comparison of the fair value of a reporting unit with its carrying amount, including the goodwill allocated to the reporting unit. Measurement of the fair value of a reporting unit is based on one or more fair value measures, including present value calculations of estimated future cash flows and estimated amounts at which the unit as a whole could be bought or sold in a current transaction between willing parties. If the carrying amount of the reporting unit exceeds its fair value, step two required the fair value of the reporting unit to be allocated to the underlying assets and liabilities of that reporting unit, resulting in an implied fair value of goodwill. If the carrying amount of the reporting unit exceeds the implied fair value of the goodwill, an impairment loss equal to the excess is recorded in net earnings.

ILI Technologies (2002) Corp.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Use of estimates

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements necessarily involves the use of estimates and approximations that have been made using careful judgment. *Actual results could differ from those estimates. Balances included in these consolidated financial statements* that are subject to estimation include the allowance for doubtful accounts, inventory valuation allowance, amortization periods for property and equipment and patents, the recoverability of long lived assets, patents and goodwill, assumptions used to calculate stock based compensation expense, and estimates in future income taxes.

Foreign currency translation

Foreign currency denominated assets and liabilities are translated at the exchange rates prevailing at the balance sheet date for monetary items and at the exchange rates prevailing at the transaction dates for non-monetary items. Revenues and expenses, except for amortization, are converted at average exchange rates for the period. Amortization is converted at the same rate as the related assets. Gains or losses on translation are included in income.

The Company maintains its accounts in Canadian dollars. The accounts of its foreign subsidiaries are maintained in the local currency where the subsidiary is incorporated. The Company has determined that its US subsidiaries, ILI USA and CBM are integrated foreign operations and as a result, the Company has used the temporal method to translate the financial statements into Canadian dollars. Accordingly, monetary assets and liabilities are translated using the exchange rates in effect at the consolidated balance sheet date and non-monetary assets and liabilities at the historical exchange rate prevailing during the year. Foreign currency gains and losses are reported on the income statement.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Asset retirement obligation

The Company recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be determined. The associated asset retirement costs before salvage values are capitalized as part of the carrying amount of the capital asset. The liability is accreted over the estimated time period until settlement of the obligation and the asset is amortized over the estimated useful life of the asset. As at December 31, 2007 and 2006, the estimated value of any asset retirement obligation that the Company has is nominal. Accordingly, no provision has been made for any asset retirement obligations.

Leases

Leases entered into by the Company as lessee are classified as either capital or operating leases. Leases where substantially all of the benefits and risks of ownership of property rest with the Company are accounted for as capital leases. Equipment under capital lease is depreciated on the same basis as capital assets. Rental payments under operating leases are expensed as incurred.

3 Changes in Significant Accounting Policies

Change in Foreign Currency Translation

During 2007, with the integration of CBM, the accounting function and key management decisions were moved to ILI head office in Calgary, Alberta. As a result of this change, the Company has determined that its US subsidiary, CBM now meets the criteria as an integrated foreign operation per CICA Section 1651. With the change from self-sustaining to integrated, the Company has adopted the temporal method in place of the current rate method to account for foreign currency translation of CBM beginning in the period of the change.

Under the temporal method, monetary assets and liabilities are translated at the period end exchange rate, other assets and liabilities at the historical rates and revenues and expenses at the average monthly rates except amortization which are translated on the same basis as the related assets. All resulting gains or losses on translation are recognized in income.

This change was adopted prospectively on April 1, 2007 due to changes in circumstances. Where exchange gains and losses previously accumulated in a separate component of accumulated other comprehensive income are now included in income. The translated amounts for non-monetary items at the prior period become the historical basis for these items in the period of the change and subsequent periods.

Financial Instruments

With effect from January 1, 2007, the Company adopted the following new accounting standards: Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; and Section 3865, *Hedges*.

CICA Handbook Section 1530, *Comprehensive Income*, introduces comprehensive income, which consists of net income and other comprehensive income, ("OCI"). For the Company, OCI is currently comprised of the changes in the foreign currency translation adjustment balance. Previously, these gains and losses were deferred in foreign currency translation adjustment within shareholders' equity.

The cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI"), which is presented as a new category within shareholders' equity in the consolidated balance sheets. The Company's consolidated financial statements now include a statement of accumulated other comprehensive income, which provides the continuity of the AOCI balance.

Section 3855 establishes the recognition and measurement criteria for financial assets, liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading," "available-for-sale," "held-to-maturity," "loans and receivables" or "other financial liabilities" as defined by the standard. The methods used by the company in determining the fair value of financial instruments are unchanged as a result of implementing this new accounting standard.

Cash and cash equivalents are designated as "held-for-trading" and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as "loans and receivables" and are carried at cost. Accounts payable and long-term debt (including the current portion) are designated as "other financial liabilities" and are carried at cost.

ILI Technologies (2002) Corp.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Hedges

Effective January 1, 2007, the Company adopted CICA Handbook Section 3865, *Hedges* which establishes standards for when and how hedge accounting may be applied. Consistent with financial instruments, it requires that all derivatives, including those designated as hedges, be measured at fair value. Changes in the fair value of a derivative which hedges the Company's exposure to changes in the fair value of an asset or liability, a fair value hedge, are recognized in net income together with those of the respective offsetting hedged item. Changes in the fair value of a derivative which effectively hedges the Company's exposure to changing cash flows, a cash flow hedge, are accumulated in other comprehensive income until the transaction being hedged affects net income. The Company has no hedges outstanding as at December 31, 2007 and 2006.

Accounting changes

Effective January 1, 2007, the Company adopted CICA Handbook section 1506, *Accounting Changes*. The changes covered by this section include changes in accounting policy, changes in accounting estimates and correction of errors. Under section 1506, voluntary changes in accounting policy are only permitted if they result in financial statements that provide more reliable and relevant information. When a change in accounting policy is made, this change is applied retrospectively unless impractical. Changes in accounting estimates are generally applied prospectively and material prior period errors are corrected retrospectively. The Company has adopted these new accounting disclosure requirements.

Future Accounting Changes

Section 3862, *Financial Instruments Disclosures* and Section 3863, *Financial Instruments Presentation*, which are required to be adopted for fiscal years beginning on or after October 1, 2007. These standards will be adopted effective January 1, 2008 for the Company and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance; and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

Section 1535, *Capital Disclosures* is effective for annual periods beginning on or after October 1, 2007 and establishes standards for disclosing information about the Company's capital and how it is managed. It requires disclosures of the Company's objectives, policies and processes for managing capital, the quantitative data about what the company regards as capital, whether the Company has complied with any capital requirements and if it has not complied, the consequences of such non-compliance. The Company will adopt these standards effective January 1, 2008 and is currently evaluating the impact of adoption of this new section on its consolidated financial statements.

In June 2007, the CICA issued Handbook Section 3031, *Inventories* to harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards. This standard established guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The Company is in the process of assessing the impact of adopting this new standard. This standard applies to the Company's financial statements beginning January 1, 2008. The Company does not expect that the adoption of this Section will have a material impact on its consolidated financial statements.

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008 and the Company will adopt beginning January 1, 2009. Accordingly, the Company will adopt the new standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

ILI Technologies (2002) Corp.
Notes to Consolidated Financial Statements
December 31, 2007 and 2006
6 Property and equipment

	2007		
	Cost \$	Accumulated amortization \$	Net \$
Land	25,000	-	25,000
Building	619,604	16,115	603,489
Vehicles and trailers	231,451	82,436	149,015
Equipment under capital lease	51,218	9,480	41,738
Oilfield measurement equipment - rental assets	389,473	245,336	144,137
Furniture and equipment	318,697	153,624	165,073
Computer hardware	95,391	70,993	24,398
Leasehold improvements	104,622	47,306	57,316
	1,835,456	625,290	1,210,166

	2006		
	Cost \$	Accumulated amortization \$	Net \$
Vehicles and trailers	329,423	72,546	256,877
Equipment under capital lease	25,218	2,296	22,922
Oilfield measurement equipment - rental assets	426,202	208,526	217,676
Furniture and equipment	109,130	80,592	28,538
Computer hardware	74,550	59,750	14,800
Leasehold improvements	45,888	34,371	11,517
	1,010,411	458,081	552,330

The equipment under capital lease includes 2 forklifts in 2007. The forklift capital lease entered into in 2006 had a cost of \$25,218 and an accumulated amortization balance of \$6,880 at December 31, 2007. The forklift capital lease entered into in 2007 has a cost of \$26,000 and an accumulated amortization balance of \$2,600 at December 31, 2007.

7 Debt

	Effective interest rate	Maturing	As at December 31, 2007	As at December 31, 2006
			\$	\$
Wells Fargo Bank Loan	8.5%	2017	386,092	-
Total debt			386,092	-
Less: short-term debt			27,841	
Total Long-term debt			358,251	

The Company intends to hold its long-term debt to maturity. This debt is not denominated in US dollars (note 19).

ILI Technologies (2002) Corp.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

As per the loan agreement dated April 10, 2007 between the company's subsidiary CBM and Wells Fargo Bank, National Association, CBM has secured the obligations related to the Wells Fargo Bank Loan with the CBM land and building located in Gillette, Wyoming as collateral. The Wells Fargo Bank Loan is classified as Senior debt and shall be paid in full prior to making any payment on any other debt by CBM.

Interest on the Wells Fargo Bank Loan is payable monthly on the 1st day of each month. The interest expense on the long-term debt for the year ended December 31, 2007 was \$23,755 (2006 - nil).

Principal repayments:

	\$
2008	27,841
2009	30,345
2010	33,073
2011	36,047
2012	39,287
Thereafter	219,499
	386,092

8 Share capital

Authorized:

Unlimited common shares

Unlimited preferred shares, issuable in series, with rights and limitations to be set prior to issuance

Issued - Common shares

	December 31, 2007		December 31, 2006	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance - beginning of period	18,967,869	7,395,350	9,989,726	3,697,342
Issued on private placement	-	-	8,308,038	3,434,038
Issued on acquisition (note 4)	-	-	350,000	175,000
Share purchase financing	-	72,800	-	(78,800)
Share purchase financing - receipt	-	-	-	7,000
Value assigned to exercised options	-	27,750	-	-
Issued upon exercise of warrants and agent options	2,425,809	1,915,077	155,105	92,570
Issued upon exercise of stock options	171,250	49,600	165,000	68,200
Balance - end of period	21,564,928	9,460,577	18,967,869	7,395,350

At December 31, 2006, there was a subscription receivable of \$1,950,000 in relation to the December 29, 2006 private placement, all of which was received in 2007.

ILI Technologies (2002) Corp.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

Share purchase financing

Notes receivables in the amount of \$50,000 have been issued to an employee and spouse of an employee of the Company to purchase 66,666 units in the December 29, 2006 private placement. The notes are non interest bearing and are secured by the shares of the Company, and by a personal guarantee of each individual. The Company is entitled to demand payment at any time. In 2007, the Company requested repayment of this notes receivable and received \$25,000 repayment with \$25,000 still outstanding at December 31, 2007. This amount was reclassified to accounts receivable and was collected on March 17, 2008.

A note receivable in the amount of \$22,800 has been issued to an employee to purchase 60,000 common shares. The note is non interest bearing and is secured by the shares and by a personal guarantee of the individual. The note was to be repaid in \$5,700 installments due March 31, 2007, June 30, 2007, September 30, 2007, and December 31, 2007. As at December 31, 2007, the entire balance is still outstanding and is included in accounts receivable. This balance was collected in January 2008.

The Company is owed \$6,000 in unpaid share capital from an officer and director of the Company. The unpaid share capital was related to the exercise of 10,000 stock options on September 30, 2005 at \$0.60 a share. The amount outstanding was paid on April 2, 2008.

In 2006, share purchase financing is accounted for as a stock option. Share capital is only increased when the funds are ultimately received from the employees.

Private placement

During the year ended December 31, 2006, the Company completed two private placements as follows

a) On March 16, 2006 the Company completed a private placement consisting of 4,308,038 units at a price of \$0.45 per unit for gross cash proceeds of \$1,938,617. Each unit consisted of one common share and one half of a common share purchase warrant; each whole warrant is exercisable into one common share at a price of \$0.60 per share until the earlier of: (i) August 31, 2007; or (ii) on that date which is 15 days after the Company has delivered a notice to the warrant holder specifying that the common shares of the Company have traded over the facilities of the TSX Venture Exchange at a price of at least \$0.75 per common share for at least 20 consecutive trading days. Total share issuance costs were \$208,917.

b) On December 29, 2006 the Company completed a private placement consisting of 4,000,000 units at a price of \$0.75 per unit for gross proceeds of \$3,000,000. Each unit consisted of one common share and one half of a common share purchase warrant; each whole warrant is exercisable into one common share at a price of \$1.25 per share until the earlier of: (i) December 29, 2008; or (ii) on that date which is 15 days after the Company has delivered a notice to the warrant holder specifying that the common shares of the Company have traded over the facilities of the TSX Venture Exchange at a price of at least \$1.50 per common share for at least 15 consecutive trading days. Total share issuance costs were \$56,110. At December 31, 2006, there was a subscription receivable of \$1,950,000 in relation to the private placement, all of which were received after year end.

As a part of these financings, the Company issued 443,013 options to agents ("Agent Options"). These options were exercisable at the issue price of each placement and entitled the agent upon exercise, to one common share plus one half warrant. Each whole underlying warrant is exercisable at the same price as the Agents Option.

9 Warrants

Continuity of warrants:

	December 31, 2007		December 31, 2006	
	Number of warrants	Amount \$	Number of warrants	Amount \$
Balance - beginning of period	3,998,918	1,239,552	-	-
Issued	182,046	-	4,154,023	1,239,552
Expired	(105,909)	(23,677)	-	-
Exercised	(2,061,717)	(549,840)	(155,105)	-
Balance - end of period	2,013,338	666,035	3,998,918	1,239,552

ILI Technologies (2002) Corp.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

As at December 31, 2007 all warrants outstanding are exercisable at \$1.25 and expire in December 2008. As at December 31, 2007, there were 78,921 Agent Options (2006 - 443,013) exercisable at \$0.75 expiring in December 2008.

The following assumptions were used in the Black-Scholes option pricing model to determine the \$1,239,552 fair value of the warrants in 2006:

Expected Life	2 years
Volatility	72%
Risk-free interest rate	4.33%
Dividend yield	0%

10 Contributed surplus

Continuity of contributed surplus:	December 31, 2007 \$	December 31, 2006 \$
Balance - beginning of period	1,130,025	952,678
Stock options expensed	632,521	177,347
Value assigned to exercised options	(27,750)	-
Value assigned to expired warrants	23,677	-
Balance - end of period	1,758,473	1,130,025

11 Stock options

The Company has established a stock option plan to allow certain officers, directors and employees to acquire common shares of the Company. A total of 10% of the ILI shares outstanding are reserved for the issuance of stock options pursuant to the stock option plan.

Continuity of stock options

	December 31, 2007		December 31, 2006	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance - beginning of period	1,425,000	0.38	1,127,000	0.46
Issued	1,060,000	0.92	1,050,000	0.44
Exercised	(171,250)	0.29	(165,000)	0.38
Forfeited	(171,250)	0.52	-	-
Expired	-	-	(587,000)	0.55
Balance - end of period	2,142,500	0.64	1,425,000	0.38

The number of options exercisable at December 31, 2007 is 2,142,500 (December 31, 2006 - 1,425,000). The weighted average remaining term of the options is 0.9 years (December 31, 2006 - 1.8 years).

The following table summarizes information about stock options outstanding at December 31, 2007:

Exercise Price (\$)	Options Outstanding
\$0.20 - 0.30	300,000
\$0.31 - 0.46	807,500
\$0.47 - 0.70	-
\$0.71 - 0.96	1,035,000
	<u>2,142,500</u>

ILI Technologies (2002) Corp.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

A fair value of \$627,065 (December 31, 2006 - \$218,902) was estimated for 1,060,000 (December 31, 2006 - 1,050,000) options that were granted to employees, directors, and third parties in 2007 using the Black-Scholes option pricing model based on the following assumptions:

	2007	2006
Risk free rate	4.31%	4.33%
Average expected volatility	86%	72%
Expected dividend per share	Nil	Nil
Expected life	2 years	2 years
Weighted average of estimated fair value of each option	\$0.49	\$0.21

12 Loss Per Share

Basic and diluted loss per share have been calculated based on net loss divided by the weighted average number of common shares outstanding for the year ended December 31, 2007 of 21,370,248 (2006 - 13,745,724). In the year ended December 31, 2007, the loss per share for both basic and diluted was \$0.10 (2006 - \$0.03). All stock options are excluded from the weighted average common shares in the calculation of diluted EPS in both 2007 and 2006 as they are anti-dilutive.

13 Income taxes

The income tax provision (recovery) differs from the amount computed by applying the statutory tax rates to the loss before income taxes for the following reasons:

	2007 \$	2006 \$
Net loss before income taxes	(2,226,952)	(447,476)
Income tax provision (recovery at statutory rates 32.12%) (2006 - 32.5%)	(715,297)	(145,430)
Increase (decrease) from:		
Stock based compensation expense	203,166	
Translation losses	80,807	
Non-deductible expenses	5,714	
Valuation allowance	328,020	145,430
Rate changes	29,435	
Tax rate in other jurisdictions	(27,906)	
Tax loss carryforward expired	74,267	
Other	(20,356)	
Income tax recovery	(42,150)	-

ILI Technologies (2002) Corp.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

The components of the company's future tax assets are as follows:

	2007 \$	2006 \$
<i>Future income tax assets (liabilities)</i>		
Net operating loss carried forward	739,956	510,200
Section 179 (accelerated depreciation election) carried forward	35,389	-
Capital assets	170,647	96,218
Share issuance costs	67,139	194,629
Allowances for doubtful accounts	121,671	1,357
Net future income tax assets	1,134,802	802,404
Less: Valuation allowance	(1,134,802)	(848,238)
	-	(45,834)

In 2006, the Company had provided a valuation allowance for the full amount of net future income tax assets due to the history of net operating losses except for the future tax liabilities of its subsidiary CBM. CBM is in a US tax jurisdiction where the Canadian parent's future income tax assets can not be used to offset. In 2007, the Company has provided a valuation allowance for the full amount of net future income tax assets due to the history of net operating losses.

The company has non-capital losses for income tax purposes that expire as follows:

	Canada \$	US \$
2008	252,120	-
2009	241,762	-
2014	329,173	-
2025		33,838
2026	226,086	156,277
2027		1,084,016
	1,049,141	1,274,131

14 Related party transactions

For the year ended December 31, 2007, the Company paid professional and consulting fees to DMBH Barristers & Solicitors, a law firm where a company director is a partner in the amount of \$66,718 (2006 - \$160,046). These transactions were in the normal course of business and entered into with the same terms as non-related parties and are recorded at their agreed to exchange amounts which reflect fair values. At December 31, 2007, accounts payable included \$nil of indebtedness to this related party (December 31, 2006 - \$6,791).

ILI Technologies (2002) Corp.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

15 Commitments

The company has entered into leases for the use of premise and vehicles. Minimum lease payments, exclusive of operating costs, may be summarized as follows:

	\$
2008	131,420
2009	102,046
2010	71,614
2011	32,911
2012	10,970

16 Capital leases

Future minimum annual lease payments under capital leases expiring May 2010 and October 2010 are as follows.

	\$
2008	16,266
2009	16,266
2010	9,727
Total minimum lease payments	42,259
Amount representing interest at 8.1%	4,322
Balance of the obligation	37,937
Less: current portion	(13,673)
Balance of long term portion	24,264

17 Supplementary cash flow information

a) Net change in non-cash working capital

	2007 \$	2006 \$
Accounts receivable	406,965	(459,078)
Inventory	(8,670)	(1,573,724)
Prepaid expenses and deposits	(18,690)	(297,981)
Income taxes receivable	(73,481)	-
Accounts payable and accrued liabilities	(301,375)	496,366
Deferred revenue	-	(5,800)
Customer deposits	(980,802)	980,802
	(976,053)	(859,415)

ILI Technologies (2002) Corp.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

b) Non-cash transactions

- i) During 2007, equipment purchases of \$26,000 were financed with a capital lease.
- ii) During 2006, in connection with the purchase of CBM, consideration of \$175,000 was paid through the issuance of \$350,000 shares at \$0.50 per share
- iii) In 2006, of the \$3,000,000 gross proceeds from the December 29, 2006 private placement, \$1,950,000 was receivable at December 31, 2006
- iv) During 2006, equipment purchases of \$25,218 were financed with a capital lease.

18 Segmented information

The company currently operates in two geographic segments within one industry segment. Products are provided in Canada and the United States. The amounts related to each segment are as follows:

December 31, 2007

	Canada \$	USA \$	Total \$
Revenue	412,636	4,893,856	5,306,492
Gross profit	346,078	1,777,609	2,123,687
Interest expense	13,595	54,232	67,827
Amortization	35,441	148,407	183,848
Net loss	(742,594)	(1,442,208)	(2,184,802)
Goodwill	-	995,447	995,447
Segment assets	2,257,972	4,834,950	7,092,922
Expenditures for segment capital assets	42,339	796,785	839,124

ILI Technologies (2002) Corp.**Notes to Consolidated Financial Statements**
December 31, 2007 and 2006**December 31, 2006**

	Canada	USA	Enterprise
	\$	\$	total
			\$
Revenue	989,561	3,736,895	4,726,456
Gross profit	822,446	1,591,495	2,413,941
Interest expense	23,017	1,515	24,532
Net loss	(425,606)	(21,870)	(447,476)
Goodwill	-	992,686	992,686
Amortization	72,593	70,872	143,465
Segment assets	3,685,889	4,393,124	8,079,013
Expenditures for segment capital assets	235,051	135,271	370,322

The Company has re-assessed the criteria for operating segments in the current year and has determined that this disclosure is no longer applicable. The company allocated revenue to geographic area based on the location where the sale originated. Included in USA geographic segment revenue is \$2,059,563 export sales to Mexico.

19 Financial instruments**a) Fair Values**

The company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and customer deposits, the fair values of which approximate their carrying values due to the short term to maturity.

The fair values of the outstanding capital asset obligations and long-term debt approximate their carrying value as they are at commercial terms as follows:

	December 31,	December 31,
	2007	2006
	\$	\$
Capital lease obligation	37,937	23,716
Wells Fargo debt	386,092	-

ILI Technologies (2002) Corp.

Notes to Consolidated Financial Statements December 31, 2007 and 2006

b) Concentrations of Credit Risk

Concentrations of credit risk with respect to accounts receivable are generally limited due to the large base of customers and the dispersion across many different geographic areas. Two customers accounted for 53% of the outstanding receivable balance at December 31, 2007. The Company believes there is no unusual exposure associated with the collection of these receivables. No other single customer accounted for more than 10% of consolidated receivables at December 31, 2007. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

The following table demonstrates the outstanding customer balances for December 31, 2007:

	2007 % of Accounts receivable	Outstanding balance (\$)
Customer A	39%	361,521
Customer B	14%	126,400
	53%	487,921

For the year ended December 31, 2007 approximately 49% of the revenues were earned from 2 customers (Customer A - 30% and Customer B - 19%).

c) Foreign Exchange

The Company undertakes transactions denominated in United States dollars and as such is exposed to fluctuations in foreign exchange rates. The Company incurs expenses in Canadian and United States dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At December 31, 2007, the Company has the following denominated in US \$ for cash of \$165,450 US, accounts receivable of \$777,134 US, accounts payable of \$223,720 US, and long-term debt of \$389,480 US.

20 Contingencies

From time to time, the Company is subject to legal proceedings, assessments and claims in the ordinary course of business. At this time, in the opinion of management, none of these matters is reasonably expected to result in a material adverse effect on the Company's financial position.

ILI Technologies (2002) Corp

Management Discussion and Analysis

For the year ended December 31, 2007

Introduction

The following Management's Discussion and Analysis ("MD&A") for ILI Technologies (2002) Corp. ("ILI" or the "Company") has been prepared by management as of April 18, 2008 and is a review of the financial condition and results of operations of the Company. The focus of this MD&A is primarily a comparison of the financial performance for the year ended December 31, 2007 and 2006 and should be read in conjunction with the audited annual consolidated financial statements and accompanying notes for those periods. The Company's financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles. Certain information contained in this MD&A constitutes forward-looking information and may contain forward-looking statements. These statements relate to future events and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, and performance or achievements expressed or implied by such forward-looking statements. The Company's reporting currency is Canadian dollars, unless otherwise indicated. Additional information on the Company is available on SEDAR at www.sedar.com.

In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. The Board of Directors has approved this MD&A.

Company Overview and Overall Performance

ILI is targeting sales of its products primarily toward larger oil and gas companies operating in Mexico, the US, and Canada. ILI believes that these companies will require a significant amount of tubing, wire products, and pumps to replace old, corroded pipelines as well as to drill and tie-in new wells. ILI believes it is strategically positioned with innovative products and distribution networks to service this demand. The Company will continue to expand sales of its Thermoflex Tubing in the US and into Canada throughout 2008.

Due to recent sales growth and increasing demands on inventory, manufacturing, and testing requirements, ILI outgrew its previous facilities in Gillette. The company acquired a newly constructed 7,200 sq ft facility in Gillette, Wyoming. This new facility will consolidate the company's operations under one roof rather than three separate buildings, thus allowing for better inventory control and improved performance and efficiencies. The new facility is about 2,000 sq ft larger than ILI's old facilities and includes 1.6 acres of land for future expansion needs. The new building also improves the visibility, look and credibility of ILI's subsidiary CBM Pumps and Services Inc.

The Company opened an office in Shanghai, China in 2007 to facilitate the more effective shipping of pumps and related products and to generate new distribution channels.

2007 was a year of growth and challenges for us. The Company was unable to meet the securities exchanges annual financial statement filing deadline as a result of the tremendous growth in 2006 which resulted in the Company shares being ceased traded for a period in 2007. Additional accounting resources and expertise has been brought into the Company to mitigate this risk in the future, with the Controller being added in August 2007.

Despite achieving record sales, our profit has declined due to an increase in indirect costs required to grow the business. Two new sales people and other key positions were added during the year and we have spent time and effort to develop and train them on our products and customer needs. The competitive labour market in Alberta and Wyoming resulted in an adjustment to wage rates for most positions. In addition, travel and sales related costs increased due largely to increase sales related activities during the year. Measures are being put into place to more efficiently control costs without impacting growth goals.

2007 was a challenging year for the oil and gas service sector, despite this, the Company grew revenue by 12% compared to 2006.

The Company ended the year in a strong financial position, with positive working capital of \$4.5 million or \$0.21 per share.

In mid-April 2007, the Company announced that it had entered into a letter of intent to acquire an oilfield inspection company located in Nisku, Alberta for total consideration of \$1.6 million in cash following a customary due diligence period. In 2007, the Company decided not to pursue this opportunity and to focus its efforts on other acquisition opportunities which might arise.

Vision, Core Business & Strategy

Flexibility and simplicity are core goals of how we work with our customers. We focus on proactively developing relationships with our customers and stakeholders and strive for trust and mutual respect in these relationships. Our team-oriented work environment encourages employees to challenge the status quo as we focus on delivering innovative and quality results for our customers. Our employees are our greatest asset and it is our commitment to develop and empower all employees to ensure their continual progress and contribution.

ILI has emerged as a company specializing in providing innovative products and services to the oil and gas sector. Historically, the Company generated annual sales of approximately \$1 million, but the scope of ILI changed dramatically with the March 2006

purchase of CBM Pumps & Services, and with the commencement of Thermoflex Tubing sales.

With the purchase of CBM Pumps & Services in March, 2006, ILI added electric submersible pumps (ESP) and artificial lift support products for coal bed methane wells, and other oil and gas applications to its array of products. CBM Pumps & Services has a wide range of pumps and motors to accommodate every well type and condition and Rotary Gas Separator to increase lift efficiency. Coal bed methane (CBM) gas production is anticipated to be a growth sector with production currently only accounting for approximately 10% in the United States and 2% in Canada of gas production and Mexico has numerous coal deposits being considered for gas production. Commercially successful CBM production began in Canada as recently as January 2002. Scientists estimate 700 trillion cubic feet of coal bed methane exists in the United States and 600 trillion cubic feet in Western Canada.

On August 2, 2006, the Company commenced distribution of Thermoflex Tubing, an innovative, lightweight, reinforced tubing product with advantages over conventional steel tube for use in the oil and gas industry. The Thermoflex flexible piping has numerous oilfield applications, including gas and fluid injection, downhole tubing, coal bed methane production application, gathering and flow line, and pipeline liner application.

The experienced management team of ILI believes artificial lift products and Thermoflex are high growth areas and has been focusing efforts on the sales of these innovative products and expansion of these businesses. Management strategy in 2008 is to continue the year over year growth of sales through existing products lines by penetrating new market opportunities, building our customer base and increasing sales to existing customers. Long term growth of the Company could also be achieved through strategic acquisitions of businesses which compliment the values and innovations of the Company. Management is committed to this vision and the Company, with the majority of senior management having been involved with the Company since its inception.

In addition to these new products, the Company continues to supply such products as Pressure Trax, Sand Trax, and RFID tags to the oil and gas industry. The PressureTrax system is a battery powered, stand-alone system that can record pressure, temperature and time simultaneously, each of which can be displayed on a remote computer. The Sand Trax system is a non-intrusive instrument that measures and records particles in a fluid stream within a pipe. RFID or Radio Frequency Identification is a data carrier technology that transmits information via signals in the radio frequency portion of the electromagnetic spectrum. A Radio Frequency Identification system consists of an antenna and a transceiver, which reads the radio frequency and transfers the information to a processing device, and a transponder, or tag, which is an integrated circuit containing the radio frequency circuitry and information to be transmitted. This product is being targeted toward inventory control purposes for pipe producers, tool rental and other applications within the oil and gas industry.

Selected Annual Information

The following selected financial information has been prepared in accordance with Canadian GAAP.

Year Ended	December 31, 2007	December 31, 2006	December 31, 2005
Net Sales/Revenue	\$ 5,306,492	\$ 4,726,456	\$ 1,100,159
Net Income (loss)	\$ (2,184,802)	\$ (447,476)	\$ (67,521)
Basic and Diluted Net Income (loss) per Share	(0.10)	(0.03)	(0.01)
Total Assets	\$ 7,092,922	\$ 8,079,013	\$ 1,756,902
Long Term Financial Liabilities	\$ 382,515	\$17,411	-

Results of Operations

Income statement

For the year ended December 31, 2007, ILI generated revenues of \$5,306,492, a 12% increase over revenues of \$4,726,456 for 2006. The Company had \$2.2 million in sales during the year for its Thermoflex Tubing product which accounted for approximately 42% of total revenues for the period. ILI also generated strong revenues during the year for its artificial lift (pumps and wires) sales of \$2.7 million which contributed 51% of the total revenues for the period.

Cost of sales for 2007 was \$3,182,805 (60% of sales) as compared to \$2,312,515 (49% of sales) during 2006. Direct costs have increased this year because of a shift in revenue streams – this is the first full year for the sales of Thermoflex Tubing and pump and wire products which has resulted in products being sold with more costs associated with them, as opposed to revenue generation through rental of equipment. Also, as a result of consolidating 3 buildings at CBM into one building, the Company is able to track inventory more accurately which resulted in a one time write down of inventory in the amount of \$0.3 million (6% of sales). Projects were initiated during the year to control the cost of inputs while the company continues to grow revenue.

Gross margin for the year was 40% compared to 51% in 2006 which was expected by the company as a result of a full year of sales for Thermoflex Tubing and pump and wire products and the inventory write down.

Selling, general and administrative costs for 2007 were \$3,169,220 (60% of sales) as compared to \$2,471,661 (52% of sales) during 2006. Management will continue working on reducing general and administrative costs as a percentage of sales, and has implemented new strategies to control costs as the Company expands. ILI has experienced an increase in general and administrative costs due largely to the increase in bad debts expense (7% of sales) and the hiring of new staff, the opening of new offices, and higher payroll and professional and legal fees. These costs are necessary in setting up the appropriate infrastructure required to facilitate the growth of the business in the future.

Marketing expenses for the year ended December 31, 2007 totaled \$43,425 compared to \$91,246 during 2006. Marketing costs decreased during 2007 since in 2006 ILI were required to establish distribution networks for its new products.

Amortization for the year rose to \$183,848 from \$143,465, largely due to the purchase of a new building in Gillette, Wyoming, in order to consolidate the 3 CBM locations into one larger facility in one location. This better positions the artificial lift business for growth.

Interest costs for 2007 were \$67,827 compared to \$24,532 in 2006. The increase was largely due to the addition of long-term debt required to finance a portion of the new building and an increase in capital lease obligations.

The Company reported a loss on foreign exchange of \$251,580 compared to a gain of \$46,834 in the same period last year. The foreign exchange loss arose from the exchange on monies advanced from ILI Canada to CBM and ILI USA and the foreign currency translation of ILI's US subsidiaries. As these funds were used for operations in those entities during the year, along with the rise of the Canadian dollar in relation to the US dollar, a loss on foreign exchange resulted. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As a result, the Company will experience a loss on foreign exchange as the Canadian dollar increases compared to the US dollar and will experience a gain on foreign exchange as the Canadian dollar decreases compared to the US dollar.

The Company recorded stock-based compensation expense of \$632,522 in 2007 compared to \$177,347 in 2006. This increase can nearly all be attributed to a higher level of stock options issued in April 2007.

The Company reported a net loss of \$2,184,802 or \$0.10 per share for 2007 compared to a loss of \$447,476 or \$0.03 per share for 2006. In 2007 there was a provision for future income taxes recovery of \$42,150 which partially offset the loss before income taxes of \$2,226,952.

Balance sheet

The Company had \$4.5 million in positive working capital at December 31, 2007.

Current liabilities included \$314,907 in accounts payable and accrued liabilities along with \$27,841 in current portion of long-term debt and \$13,673 in current portion of capital lease obligation.

Cash and cash equivalents increased from \$ 1.3 million at December 31, 2006 to \$1.8 million as at December 31, 2007. The increase in cash and cash equivalents is mainly due to the exercise of warrants and options and share subscriptions receivable from 2006 for total cash proceeds of \$3.4 million and new long term financing of \$0.4 million used for the purchase of the new building. This increase was offset by uses of cash elsewhere, largely in relation to the purchase of the new building and new equipment of \$0.8 million and decrease from cash used in operating activities of \$2.4 million.

Accounts receivable decreased by \$359,165 from \$1,287,108 in 2006 to \$927,943 in 2007 due largely to the allowance for doubtful accounts provision being setup for older accounts receivable balances in 2007. The allowance for doubtful accounts provision for 2007 is \$410,000 which is equal to 31% of gross accounts receivable balance.

Capital assets net of accumulated amortization at December 31, 2007 of \$1,210,166 compares to \$552,330 as at December 31, 2006. The increase is directly due to the purchase of a new facility in Gillette, Wyoming.

Accounts payable at the end of 2007 was \$314,907 compared to a balance of \$616,282 at the beginning of the year. The Company made an effort to pay vendors before the end of the year.

Customer deposit was \$nil for December 31, 2007 compared to \$980,802 in 2006 as the Company delivered the products to the customer in early 2007 and recognized the revenue.

Summary of Quarterly Results (Unaudited)

Quarter ended	Total Revenue (\$)	Gross Profit (\$)	Net Income (Loss) (\$)	EPS Basic (\$/share)	EPS Diluted (\$/share)
December 31, 2007	(292,670)	(346,081)	(1,952,259)	(0.07)	(0.07)
September 30, 2007	1,529,471	705,871	(311,301)	(0.01)	(0.01)
June 30, 2007	1,106,768	573,839	(331,098)	(0.02)	(0.02)
March 31, 2007	2,962,923	1,190,058	409,857	0.02	0.02
December 31, 2006	1,216,816	336,414	(775,945)	(0.04)	(0.03)
September 30, 2006	1,832,733	985,174	374,819	0.03	0.03
June 30, 2006	1,151,598	778,737	110,291	0.00	0.00
March 31, 2006	525,309	211,693	(156,641)	(0.01)	(0.01)

Historically, ILI has predominately operated in Canada, and therefore has been subject to general economic conditions that are considered normal for Canadian oil and gas service companies – primarily spring break up, which arrives in the second quarter with decreased activity through most of the third quarter before winter work picks up in the fourth quarter and into the first quarter of the following year. These conditions also hold for ILI's newer operating areas in the US.

In the second quarter 2007, revenue at CBM was significantly impacted due to the two month annual ban on oil and gas service activities in the state of Wyoming as a result of bird nesting season; 2007 was the first year that this ban has been in place. Revenue from Thermoflex was negatively impacted by weather conditions in Mexico which negatively impacted installation of Thermoflex.

In the third quarter 2007, revenue in the US operations increased by 35% to \$1.2 million compared to the second quarter largely due to a shipment of Thermoflex tubing at the end of the quarter. Revenue for the Canadian operation increased by 48% to \$0.3 million compared to the second quarter.

In the fourth quarter 2007, revenue in Canada was significantly impacted by the slow down in the Alberta oil and gas sector. Revenue from Thermoflex was negatively impacted by severe weather conditions and flooding in the southern region of Mexico. Revenue for our 2 US subsidiaries accounted for 93% of total 2007 ILI revenue and is

translated using the average foreign exchange rate for 2007. In the fourth quarter the US dollar decrease significantly compared to the Canadian dollar which resulted in the US subsidiary revenue to decrease due to the translation to Canadian dollar reporting.

Fourth Quarter

The fourth quarter was a financially soft quarter for ILI, with a net loss in the amount of \$1,952,259 in 2007 compared to \$775,945 in 2006.

ILI has experienced an increase in general and administrative costs due largely to the increase in bad debts expense (7% of sales) and the hiring of new staff, and higher payroll and professional and legal fees.

Stock-based compensation was \$537,286 in the fourth quarter of 2007 compared to \$75,012 in the same period in 2006. The majority of the stock-based compensation expense related to the April 2007 issuance of options, which were not booked until the fourth quarter plus \$64,496 related to options issued to an employee in October 2007.

Amortization expense has increased because of the new building and equipment purchased in the US.

Liquidity and capital resources

ILI maintains a strong balance sheet and has a working capital ratio of 13:1 and 4:1 historically. The Company has also historically generated strong cash flows from operating activities, however the year ended with cash flows from operating activities in the amount of \$(2,386,636), primarily as a result of recognizing the revenue related to the \$980,802 customer deposit from 2006 and the \$2,226,952 loss before income taxes. Going forward, the Company may have to keep more of its working capital as inventory and accounts receivable as it moves towards revenue growth generation through sales of Thermoflex products, however the Company's working capital position is such that this can be achieved while still maintaining a healthy balance sheet.

The Company has historically operated with very little debt but expect that this could change in the future, as future increases in sales could result in increases to accounts receivable and inventory.

At December 31, 2007 the Company has \$386,092 in long term debt outstanding related to the purchase of the building and land in Gillette, Wyoming. As per the loan agreement dated April 10, 2007 between the company's subsidiary CBM and Wells Fargo Bank, National Association, CBM has secured the obligations related to the Wells Fargo Bank Loan with the CBM land and building located in Gillette, Wyoming as collateral. The Wells Fargo Bank Loan is classified as Senior debt and shall be paid in full prior to making any payment on any other debt by CBM. The loan has an effective interest rate of 5% and matures in 2017.

ILI currently has sufficient financial resources on hand to meet its near term operating requirements. Any future acquisitions or expansions would require further financial resources.

Contractual Obligations (Payments Due by Period)

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long Term Debt	\$386,092	\$27,841	\$63,418	\$75,334	\$219,499
Capital Lease Obligations	\$42,259	\$16,266	\$25,993		
Operating Leases	\$348,961	\$131,420	\$173,660	\$43,881	
Total Contractual Obligations	\$777,312	\$175,527	\$263,071	\$119,215	\$219,499

Summary of Share Capital

As at December 31, 2007, ILI Technologies had 21,564,928 common shares issued and outstanding. There were a total of 2,142,500 options outstanding at year end with a weighted average exercise price of \$0.64.

As at April 18, 2008, the date of this MD&A, ILI Technologies had 21,564,928 common shares issued and outstanding. There were a total of 2,142,500 options outstanding at April 18, 2008 with a weighted average exercise price of \$0.64.

Off Balance Sheet arrangements

The Company has no off balance sheet arrangements.

Related Party Transactions

In 2007, the Company paid professional and consulting fees to DMBH Barristers & Solicitors, a law firm where a company director is a partner in the amount of \$66,718. These transactions were in the normal course of business and entered into with the same terms as arm's length parties and have been recorded at their exchange amount which is the amount agreed to by the parties.

Notes receivables in the amount of \$50,000 have been issued to an employee and spouse of an employee of the Company to purchase 66,666 units in the December 29, 2006 private placement. The notes are non interest bearing and are secured by the shares of the Company, and by a personal guarantee of each individual. The Company is entitled to demand payment at any time. In 2007, the Company requested repayment of this notes

receivable and received \$25,000 repayment with \$25,000 still outstanding at December 31, 2007. This amount was reclassified to accounts receivable and was collected on March 17, 2008.

A note receivable in the amount of \$22,800 has been issued to an employee to purchase 60,000 common shares. The note is non interest bearing and is secured by the shares and by a personal guarantee of the individual. The note was to be repaid in \$5,700 installments due March 31, 2007, June 30, 2007, September 30, 2007, and December 31, 2007. As at December 31, 2007, the entire balance is still outstanding and is included in accounts receivable. This balance was collected in January 2008.

The Company is owed \$6,000 in unpaid share capital from an officer and director of the Company. The unpaid share capital was related to the exercise of 10,000 stock options on September 30, 2005 at \$0.60 a share. The amount outstanding was paid on April 2, 2008.

Management Compensation

The Company does not provide management compensation to directors of the company for their capacity as directors. The Company currently has three officers. The following table sets forth the compensation awarded, paid to or earned by the Company's officers during the years ended December 31, 2007 and December 31, 2006.

Title	Year Ended December 31, 2007	Year Ended December 31, 2006
Chief Executive Officer	\$ 175,703	\$112,750
Vice President	\$162,331	\$97,350
Corporate Secretary	\$74,223	\$54,100

Changes in Accounting Policies

Change in Foreign Currency Translation

During 2007, with the integration of CBM, the accounting function and key management decisions were moved to ILI head office in Calgary, Alberta. As a result of this change, the Company has determined that its US subsidiary, CBM now meets the criteria as an integrated foreign operation per CICA Section 1651. With the change from self-sustaining to integrated, the Company has adopted the temporal method in place of the current rate method to account for foreign currency translation of CBM beginning in the period of the change.

Under the temporal method, monetary assets and liabilities are translated at the period end exchange rate, other assets and liabilities at the historical rates and revenues and expenses at the average monthly rates except amortization which are translated on the

same basis as the related assets. All resulting gains or losses on translation are recognized in income.

This change was adopted prospectively on April 1, 2007 due to changes in circumstances. Where exchange gains and losses previously accumulated in a separate component of accumulated other comprehensive income are now included in income. The translated amounts for non-monetary items at the prior period become the historical basis for these items in the period of the change and subsequent periods.

Financial instruments

With effect from January 1, 2007, the Company adopted the following new accounting standards: Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; and Section 3865, *Hedges*.

The cumulative changes in OCI are included in accumulated other comprehensive income ("AOCI"), which is presented as a new category within shareholders' equity in the consolidated balance sheets. The Company's consolidated financial statements now include a statement of accumulated other comprehensive income, which provides the continuity of the AOCI balance.

Section 3855 establishes the recognition and measurement criteria for financial assets, liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading," "available-for-sale," "held-to-maturity," "loans and receivables" or "other financial liabilities" as defined by the standard. The methods used by the company in determining the fair value of financial instruments are unchanged as a result of implementing this new accounting standard.

Cash and cash equivalents are designated as "held-for-trading" and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as "loans and receivables" and are carried at cost. Accounts payable and long-term debt (including the current portion) are designated as "other financial liabilities" and are carried at cost.

Hedges

Effective January 1, 2007, the Company adopted CICA Handbook Section 3865, *Hedges* which establishes standards for when and how hedge accounting may be applied. Consistent with financial instruments, it requires that all derivatives, including those designated as hedges, be measured at fair value. Changes in the fair value of a derivative which hedges the Company's exposure to changes in the fair value of an asset or liability, a fair value hedge, are recognized in net income together with those of the respective

offsetting hedged item. Changes in the fair value of a derivative which effectively hedges the Company's exposure to changing cash flows, a cash flow hedge, are accumulated in other comprehensive income until the transaction being hedged affects net income. The Company has no hedges outstanding as at December 31, 2007 and 2006.

Accounting changes

Effective January 1, 2007, the Company adopted CICA Handbook section 1506, *Accounting Changes*. The changes covered by this section include changes in accounting policy, changes in accounting estimates and correction of errors. Under section 1506, voluntary changes in accounting policy are only permitted if they result in financial statements that provide more reliable and relevant information. When a change in accounting policy is made, this change is applied retrospectively unless impractical. Changes in accounting estimates are generally applied prospectively and material prior period errors are corrected retrospectively. The Company has adopted these new accounting disclosure requirements.

Future Accounting Changes

Section 3862, *Financial Instruments Disclosures* and Section 3863, *Financial Instruments Presentation*, which are required to be adopted for fiscal years beginning on or after October 1, 2007. These standards will be adopted effective January 1, 2008 for the Company and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance; and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

Section 1535, *Capital Disclosures* is effective for annual periods beginning on or after October 1, 2007 and establishes standards for disclosing information about the Company's capital and how it is managed. It requires disclosures of the Company's objectives, policies and processes for managing capital, the quantitative data about what the company regards as capital, whether the Company has complied with any capital requirements and if it has not complied, the consequences of such non-compliance. The Company will adopt these standards effective January 1, 2008 and is currently evaluating the impact of adoption of this new section on its consolidated financial statements.

In June 2007, the CICA issued Handbook Section 3031, *Inventories* to harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards. This standard established guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The Company is in the process of assessing the impact of adopting this new standard. This standard applies to the Company's financial statements beginning January 1, 2008. The Company does not expect that the adoption of this Section will have a material impact on its consolidated financial statements.

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008 and the Company will adopt beginning January 1, 2009. Accordingly, the Company will adopt the new standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

The Accounting Standards Board has confirmed the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") will be effective January 1, 2011. The Company will continue to monitor the transition process but due to the extended period of time until implementation, the Company cannot assess the impact of the adoption of IFRS at this time.

Financial instruments

a) Fair Values

The company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and customer deposits, the fair values of which approximate their carrying values due to the short term to maturity.

The fair values of the outstanding capital asset obligations and long-term debt approximate their carrying value as they are at commercial terms.

b) Concentrations of Credit Risk

Concentrations of credit risk with respect to accounts receivable are generally limited due to the large base of customers and the dispersion across many different geographic areas. Two customers accounted for 53% of the outstanding receivable balance at December 31, 2007. The Company believes there is no unusual exposure associated with the collection of these receivables. No other single customer accounted for more than 10% of consolidated receivables at December 31, 2007. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

For the year ended December 31, 2007 approximately 49% of the revenues were earned from 2 customers (Customer A - 30% and Customer B - 19%).

c) Foreign Exchange

The Company undertakes transactions denominated in United States dollars and as such is exposed to fluctuations in foreign exchange rates. The Company incurs expenses in Canadian and United States dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. At December 31, 2007, the Company has the following denominated in US \$ for cash of \$165,450 US, accounts receivable of \$777,134 US, accounts payable of \$223,720 US, and long-term debt of \$389,480 US.

Critical accounting policies and estimates

This MD&A is based on the Company's annual consolidated financial statements that have been prepared in accordance with Canadian GAAP. Management is required to make assumptions, judgements and estimates in the application of GAAP. ILI's significant accounting policies are described in note 2 to the annual consolidated financial statements. The preparation of the consolidated financial statements requires that certain estimates and judgements be made concerning the reported amount of revenues and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgement. Anticipating future events involves uncertainty, and consequently, the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is acquired or the environment in which the Company operates changes. The following accounting policies and practices involve the use of estimates that have a significant impact on the Company's financial results.

Depreciation and Amortization

Depreciation and Amortization of the Company's property and equipment incorporates estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change, thereby impacting the operation of the Company's property and equipment.

Stock-Based Compensation

As described in note 11 to the annual consolidated financial statements, the fair value of stock options are estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions related to the risk-free interest rate, average expected option life, estimated volatility of the Company's shares and anticipated dividends.

Goodwill and the Purchase Price Allocation

Goodwill is the amount that results when the cost of acquired assets exceeds their fair values, at the date of acquisition. In the Company's case, goodwill arose upon the acquisition of CBM. Goodwill is recorded at cost, not amortized and tested at least annually for impairment. The impairment test includes the application of a fair value test, with an impairment loss recognized when the carrying amount of goodwill exceeds its estimated fair value. Impairment provisions are not reversed if there is a subsequent increase in the fair value of goodwill. In 2007, management completed a goodwill impairment test, the results of which did not indicate impairment.

Business Risks and Uncertainties

As an evolving international oilfield technology and service company, ILI faces several key risks in its business, including possible commodity price downturns, emergence of superior competing technologies, retention of skilled employees, reliance on relatively few key suppliers and customers, unpredictable foreign exchange fluctuations, and availability of adequate capital under terms favourable to the company.

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") for ILI.

The intent of DC&P is to provide reasonable assurance that material information relating to ILI, including its consolidated subsidiaries, and particularly information that is required to be disclosed in documents filed with securities regulatory authorities, is made known to the CEO and the CFO by others within those entities in such a manner to allow for timely decisions regarding required disclosure.

ICFR are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

On November 23, 2007, the CSA advised that further proposals to amend the MI 52-109 Certification Rule will no longer require venture issuers to certify as to the design and evaluation of DCP or ICFR. While the current requirements remain in force until these amendments are finalized, CSA members will be providing exemptive relief to venture issuers in respect of the year ended December 31, 2007 to allow venture issuers to file a much shorter form of certification. This shorter form of certificate requires the CEO or CFO (or other certifying officer) to provide a certification that they have reviewed the annual filings, that the annual filings fairly represent the financial conditions, results of operation and cash flows of the venture issuer and that the annual filings do not contain any misrepresentations. This new form of certificate also contains a notice or warning that the venture issuer certificate does not include any representations relating to DCP or ICFR and that the inherent limitations or inability of venture issuers to provide such certifications may represent some additional risks. For further details on the new ILI venture issuer relief CEO or CFO certificates, please go to www.Sedar.com.

Significant Developments since December 31, 2007

In February 26, 2008, ILI Technologies announced the receipt of a significant order for Thermoflex Tubing in Wyoming from a US company oil and gas company. The first

~~delivery under this contract is scheduled for the second quarter of 2008 with subsequent installments being fulfilled throughout 2009 and 2010.~~

In March 2008 the Company established an ILI Technologies Mexico company called "ILI Technologies de México, S. de R.L. de C.V." to deal directly with sales in Mexico. This will make it easier for the Company to get day to day work in Mexico.

The Company is the exclusive distributorship for Thermoflex products in China and is looking for opportunities in the Chinese market for these products.

ILI Technologies (2002) Corp.

Consolidated Financial Statements

For the three and nine months ended September 30, 2008

(Unaudited)

NOTICE TO READER: These financial statements have not been reviewed by the Company's auditors

ILI Technologies (2002) Corp.**Consolidated Balance Sheets***(Unaudited)*

	September 30, 2008 \$	December 31, 2007 \$
<hr/>		
<u>Assets</u>		
Current assets		
Cash and cash equivalents	228,567	1,818,476
Accounts receivable	1,542,907	927,943
Inventory	1,948,697	1,709,376
Prepaid expenses and deposits	336,318	347,665
Income taxes receivable	-	73,481
	4,056,489	4,876,941
Property and equipment	1,152,460	1,210,166
Patents	9,874	10,368
Goodwill	995,447	995,447
	6,214,270	7,092,922
<hr/>		
<u>Liabilities</u>		
Current liabilities		
Accounts payable and accrued liabilities	236,143	314,907
Current portion of long-term debt (note 3)	46,280	27,841
Current portion of capital lease obligations	20,950	13,673
	303,373	356,421
Long-term debt (note 3)	329,580	358,251
Capital lease obligations	24,766	24,264
	657,719	738,936
<hr/>		
<u>Shareholders' Equity</u>		
Share capital (note 4)	9,467,167	9,460,577
Warrants (note 5)	666,035	666,035
Contributed surplus (note 6)	1,790,630	1,758,473
Accumulated other comprehensive income	8,249	8,249
Deficit	(6,375,530)	(5,539,348)
	5,556,551	6,353,986
	6,214,270	7,092,922
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The accompanying notes are an integral part of these consolidated financial statements

ILI Technologies (2002) Corp.
Consolidated Statements of Operations and Deficit
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenues from operation	1,389,007	1,326,978	3,711,202	5,378,031
Cost of goods sold and services	1,031,494	914,671	2,572,147	3,428,639
Gross profit	357,513	412,307	1,139,055	1,949,392
Expenses				
Selling, general and administrative	637,620	652,354	1,789,760	1,693,008
Amortization	42,779	37,511	130,023	100,681
Interest expense	12,264	30,518	34,395	50,032
Loss(gain) on foreign exchange	(5,613)	214,243	8,515	464,110
Stock-based compensation	32,747	18,114	32,747	95,235
	719,797	952,740	1,995,440	2,403,066
Interest Income	867	202,493	20,203	221,131
Income (loss) before income taxes	(361,417)	(337,940)	(836,182)	(232,543)
Provision for income taxes	-	26,639	-	-
Net income (loss) for the period	(361,417)	(311,301)	(836,182)	(232,543)
Deficit - Beginning of period	(6,014,113)	(3,275,788)	(5,539,348)	(3,354,546)
Deficit - End of period	(6,375,530)	(3,587,089)	(6,375,530)	(3,587,089)
 Basic and diluted loss per share (note 8)	 (0.02)	 (0.01)	 (0.04)	 (0.01)

The accompanying notes are an integral part of these consolidated financial statements

ILI Technologies (2002) Corp.**Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income***(Unaudited)*

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Net income (loss) for the period	(361,417)	(311,301)	(836,182)	(232,543)
Other comprehensive income (loss)				
Change in foreign currency translation adjustment				6,251
Comprehensive income (loss)	(361,417)	(311,301)	(836,182)	(226,292)
Accumulated other comprehensive income, beginning of period	8,249	8,249	8,249	1,998
Other comprehensive income for the period		-		6,251
Accumulated other comprehensive income, end of period	8,249	8,249	8,249	8,249

The accompanying notes are an integral part of these consolidated financial statements

ILI Technologies (2002) Corp.
Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash provided by (used in)				
Operating activities				
Net income (loss)	(361,417)	(311,301)	(836,182)	(232,543)
Items not affecting cash				
Amortization	43,097	37,511	87,738	100,681
Stock-based compensation	32,157	18,114	32,157	95,235
	(286,162)	(255,676)	(716,286)	(36,627)
Decrease in non cash working capital	(325,498)	(392,001)	(608,900)	(1,614,036)
	(611,661)	(647,677)	(1,325,187)	(1,650,663)
Financing activities				
Cash received from share subscriptions receivable	-	-	-	1,950,000
Payments on capital lease obligations	76,883	3,353	26,218	(4,684)
Issuance of common shares, net of issue costs	6,590	38,327	6,590	1,400,624
Long term debt financing	(17,018)	(39,016)	(28,671)	(39,016)
New Long Term Financing	-	-	-	435,084
	66,455	2,664	4,137	3,742,008
Investing activities				
Purchase of property and equipment	(111,055)	(87,633)	(268,859)	(758,886)
	(111,055)	(87,633)	(268,859)	(758,886)
Increase (decrease) in cash and cash equivalents	(656,261)	(732,646)	(1,589,909)	1,332,459
Effect of foreign exchange on cash and cash equivalents	-	763	-	4,372
	(656,261)	(731,883)	(1,589,909)	1,336,831
Cash and cash equivalents - Beginning of period	884,828	3,323,048	1,818,476	1,254,334
Cash and cash equivalents - End of period	228,567	2,591,165	228,567	2,591,165
Supplemental information				
Cash interest paid:	\$ 12,264	\$ 30,518	\$ 34,395	\$ 50,032
Cash taxes paid:	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements

ILI Technologies (2002) Corp.
Notes to Consolidated Financial Statements

(Unaudited)

(Amounts in Canadian dollars, unless otherwise noted)

September 30, 2008

1 Basis of presentation

The interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements. The interim financial statements should be read in conjunction with the most recent audited annual financial statements.

2 Changes in accounting policies

The interim financial statements follow the same accounting policies and methods of their application as the most recent audited annual financial statements, except as follows:

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") standards; Section 3862, Financial Instruments Disclosures and Section 3863, Financial Instruments Presentation, which replaced Section 3861, Financial Instruments Disclosures and Presentation. The only effect on the Company is incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance; and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

Effective January 1, 2008, the Company adopted CICA Section 1535, Capital Disclosures which establishes standards for disclosing information about the Company's capital and how it is managed. It requires disclosures of the Company's objectives, policies and processes for managing capital, the quantitative data about what the company regards as capital, whether the Company has complied with any capital requirements and if it has not complied, the consequences of such non-compliance.

Effective January 1, 2008, the Company adopted CICA Section 3031, Inventories to harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards. This standard established guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

There is no material impact on the consolidated financial statements from adopting these new policies.

ILI Technologies (2002) Corp.
Notes to Consolidated Financial Statements

(Unaudited)

(Amounts in Canadian dollars, unless otherwise noted)

September 30, 2008

3 Debt

	Effective interest rate	Maturing	As at September 30, 2008 \$	As at December 31, 2007 \$
Wells Fargo Bank Loan	8.5%	2017	375,860	386,092
Less: short-term portion			46,280	27,841
Long-term portion			<u>329,580</u>	<u>358,251</u>

The Company intends to hold its long-term debt to maturity. This debt is denominated in US dollars.

As per the loan agreement dated April 10, 2007 between the company's subsidiary CBM and Wells Fargo Bank, National Association, CBM has secured the obligations related to the Wells Fargo Bank Loan with the CBM land and building located in Gillette, Wyoming as collateral. The Wells Fargo Bank Loan is classified as Senior debt and shall be paid in full prior to making any payment on any other debt by CBM.

4 Share capital

Authorized:

Unlimited common shares

Unlimited preferred shares, issuable in series, with rights and limitations to be set prior to issuance

Issued - Common shares

	September 30, 2008		December 31, 2007	
	Number of Shares	Amount \$	Number of Shares	Amount \$
Balance - beginning of period	21,564,928	9,460,577	18,967,869	7,395,350
Share purchase financing	-	-	-	72,800
Value assigned to exercised options	-	-	-	27,750
Issued upon exercise of warrants and agent options	-	-	2,425,809	1,915,077
Issued upon exercise of stock options	10,000	6,590	171,250	49,600
Balance - end of period	<u>21,574,928</u>	<u>9,467,167</u>	<u>21,564,928</u>	<u>9,460,577</u>

ILI Technologies (2002) Corp.
Notes to Consolidated Financial Statements

(Unaudited)

(Amounts in Canadian dollars, unless otherwise noted)

September 30, 2008

5 Warrants

Continuity of warrants:

	September 30, 2008		December 31, 2007	
	Number of warrants	Amount \$	Number of warrants	Amount \$
Balance - beginning of period	2,013,338	666,035	3,998,918	1,239,552
Issued	-	-	182,046	-
Expired	-	-	(105,909)	(23,677)
Exercised	-	-	(2,061,717)	(549,840)
Balance - end of period	2,013,338	666,035	2,013,338	666,035

As at September 30, 2008 all warrants outstanding are exercisable at \$1.25 and expire in December 2008.

6 Contributed surplus

Continuity of contributed surplus:

	September 30, 2008	December 31, 2007
	\$	\$
Balance - beginning of period	1,758,473	1,130,025
Stock options expense	32,747	632,521
Value assigned to exercised options	(590)	(27,750)
Value assigned to expired warrants	-	23,677
Balance - end of period	1,790,630	1,758,473

7 Stock options

The Company has established a stock option plan to allow certain officers, directors and employees to acquire common shares of the Company. A total of 10% of the ILI shares outstanding are reserved for the issuance of stock options pursuant to the stock option plan.

ILI Technologies (2002) Corp.
Notes to Consolidated Financial Statements
(Unaudited)

(Amounts in Canadian dollars, unless otherwise noted)
September 30, 2008

Continuity of stock options:

	September 30, 2008		December 31, 2007	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance - beginning of period	2,142,500	0.64	1,425,000	0.38
Issued	645,000	0.27	1,060,000	0.92
Exercised	(10,000)	0.60	(171,250)	0.29
Forfeited	(380,000)	0.75	(171,250)	0.52
Expired	(742,500)	0.86	-	-
Balance - end of period	1,655,000	0.37	2,142,500	0.64

The number of options exercisable at September 30, 2008 is 1,171,250 (December 31, 2007 - 2,142,500). The weighted average remaining term of the options is 0.5 years (December 31, 2007 - 0.9 years).

The following table summarizes information about stock options outstanding at September 30, 2008:

Exercise Price (\$)	Options Outstanding
\$0.20 - 0.30	945,000
\$0.31 - 0.46	-
\$0.47 - 0.70	-
\$0.71 - 0.96	710,000
	<u>1,655,000</u>

8 Earnings (loss) per share

Basic and diluted earnings per share have been calculated based on net income (loss) divided by the weighted average number of common shares outstanding for the nine months period ended September 30, 2008 of 21,571,607 (2007 - 21,415,883). The weighted average number of common shares outstanding for the three months ended September 30, 2008 was 21,574,928 (2007 - 21,492,380). All stock options are excluded from the weighted average common shares in the calculation of diluted EPS as they are anti-dilutive.

ILI Technologies (2002) Corp.
Notes to Consolidated Financial Statements
(Unaudited)

(Amounts in Canadian dollars, unless otherwise noted)
September 30, 2008

9 Related party transactions

For the nine months period ended September 30, 2008, the Company paid professional and consulting fees to "Demianschuk, Milley, Burke & Hoffinger" Barristers & Solicitors (DMBH), a law firm where a company director is a partner in the amount of 25,307 (\$66,718 for the year 2007). These transactions were in the normal course of business and entered into with the same terms as non-related parties and are recorded at their agreed to exchange amounts which reflect fair values. At September 30, 2008, accounts payable included \$26,974 of unpaid fees to this related party (December 31, 2007 - \$nil). Total fees booked for DMBH for the nine months ended September 30, 2008 were \$52,281 (\$66,718 for the year 2007).

10 Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue its sale of products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholder's equity and short-term borrowing, as well as the cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, obtain new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to maintain and maximize ongoing growth and sales efforts, the Company does not pay out dividends.

The Company's debt contains general security restrictions and debt covenants. The Company is in compliance with its debt covenants at September 30, 2008.

The Company is currently reviewing its capital resources requirement to ensure they are sufficient to carry its growth plans and operations through its current operating period.

ILI Technologies (2002) Corp.
Notes to Consolidated Financial Statements

(Unaudited)

(Amounts in Canadian dollars, unless otherwise noted)

September 30, 2008

11 Financial risk management

The Company is exposed to a variety of financial risks by virtue of its activities, including currency risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the finance department under the direction and guidance from the Company's Board of Directors. This department identifies and evaluates financial risks in close cooperation with other management personnel. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

Currency risk:

The Company operates internationally and is exposed to foreign exchange risk from various currencies, primarily US dollars. Foreign exchange risk arises from the translation of the US subsidiaries, the purchase and sale transactions as well as financial assets and liabilities denominated in foreign currencies.

A significant change in the currency exchange rates between the Canadian dollar relative to the other currencies could have an effect on the Company's results of operations, financial position or cash flows. The Company does not enter into foreign exchange hedges for the purpose of managing foreign exchange risk.

At September 30, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	September 30,
	2008
	US \$
Cash and cash equivalents	-
Receivables	1,439,880.00
Payables and accruals	(166,607.00)
Long-term debt	(369,015.00)
	<u>904,258</u>

Based on the above net exposure as at September 30, 2008 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase or decrease of approximately \$90,426 in the Company's net loss.

ILI Technologies (2002) Corp.
Notes to Consolidated Financial Statements

(Unaudited)

(Amounts in Canadian dollars, unless otherwise noted)
September 30, 2008

Credit risk:

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

The Company manages credit risk by maintaining bank accounts with Tier 1 banks. Any short-term investment, included in cash and cash equivalents would be composed of financial instruments issued by Canadian banks.

The Company's receivables consist of trade receivables from the sale of product. Trade receivables include, amounts receivable from normal terms and extended terms, which are generally made to credit worthy purchasers. In cases where collection is in question, the Company has the ability to send the receivables to collections and all legal recourse measures. Accordingly, the Company views credit risks as low and as normal course of business.

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

12 Segmented information

The company currently operates in two geographic segments within one industry segment. Products are provided in Canada and the United States. The amounts related to each segment are as follows:

ILI Technologies (2002) Corp.
Notes to Consolidated Financial Statements

(Unaudited)

(Amounts in Canadian dollars, unless otherwise noted)
September 30, 2008

For 2008

	Three months ended September 30, 2008			Nine months ended September 30, 2008		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
Revenue	74,504	1,314,503	1,389,007	158,043	3,553,159	3,711,202
Gross profit	40,070	317,444	357,514	8,097	1,130,958	1,139,055
Amortization	6,922	35,857	42,779	20,765	109,259	130,023
Interest expense	2,183	10,081	12,264	6,115	28,280	34,395
Interest income	867	-	867	20,203	-	20,203
Net profit (loss)	(240,717)	(120,700)	(361,417)	(924,828)	88,646	(836,182)
Cash and cash equivalents	(466,296)	(189,965)	(656,261)	244,863	(16,296)	228,567
Accounts receivable	(8,946)	(125,139)	(134,085)	76,317	1,466,590	1,542,907
Inventory	-	76,576	76,576	119,788	1,828,908	1,948,697
Property and equipment	16,671	(24,972)	(8,300)	133,370	1,019,091	1,152,460
Goodwill	-	-	-	-	995,447	995,447

For 2007

	Three months ended September 30, 2007			Nine months ended September 30, 2007		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
Revenue	86,802	1,240,176	1,326,978	303,389	5,074,642	5,378,031
Gross profit	15,017	397,290	412,307	157,776	1,791,616	1,949,392
Amortization	1,539	35,972	37,511	45,441	55,241	100,681
Interest expense	4,349	26,169	30,518	12,451	37,582	50,032
Interest income	202,493	-	202,493	221,131	-	221,131
Net profit (loss)	(223,590)	(87,711)	(311,301)	(832,061)	599,517	(232,543)
Cash and cash equivalents	(604,477)	(127,406)	(731,883)	2,498,237	92,928	2,591,165
Accounts receivable	(29,145)	305,390	276,246	251,706	1,619,546	1,871,252
Inventory	(29,518)	171,165	141,647	120,627	1,567,309	1,687,937
Property and equipment	24,348	25,774	50,122	92,381	1,118,155	1,210,535
Goodwill	-	-	-	-	995,447	995,447

ILI Technologies (2002) Corp.
Notes to Consolidated Financial Statements

(Unaudited)

(Amounts in Canadian dollars, unless otherwise noted)

September 30, 2008

The company allocated revenue to geographic area based on the location where the sale originated. Included in USA geographic segment revenue is \$262,977 export sales to Mexico.

13 Comparative figures

Certain comparative figures have been reclassified to conform to current periods. These reclassifications are as follows:

I. Payroll costs

The following schedule shows payroll costs that were classified as selling, general and administrative costs in 2007 (with their equivalent for 2008) while they directly related to technical and operations employees. Management believes this reclassification is necessary to give accurate picture of direct costs.

	<u>2008</u>	<u>2007</u>
First quarter	82,260	91,163
Second quarter	94,704	97,427
Third quarter	80,780	89,792
Total	<u>257,744</u>	<u>278,382</u>

II. Other operating costs

The following schedule shows direct operating costs that were classified as selling, general and administrative costs in 2007 (with their equivalent for 2008) while they directly related to operations. Management believes this reclassification is necessary to give accurate picture of direct costs.

	<u>2008</u>	<u>2007</u>
First quarter	11,610	17,267
Second quarter	11,233	8,690
Third quarter	17,496	1,279
Total	<u>40,339</u>	<u>27,236</u>

III. Interest income

Interest income was presented separately in these financial statements while it was combined with revenues from operations in September 30, 2007 financial statements.



ILI Technologies (2002) Corp.
Management Discussion and Analysis
For the three and nine month periods ended September 30, 2008
Dated: November 26, 2008

ILI Technologies (2002) Corp
Management Discussion and Analysis
For the three and nine month period ended September 30, 2008

Introduction

The following Management's Discussion and Analysis ("MD&A") for ILI Technologies (2002) Corp. ("ILI" or the "Company") has been prepared by management as of November 26, 2008 and is a review of the financial condition and results of operations of the Company. The focus of this MD&A is primarily a comparison of the financial performance for the three and nine months ended September 30, 2008 and 2007 and should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for those periods as well as the audited annual financial statements and MD&A for the year ended December 31, 2007. The Company's financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles. Certain information contained in this MD&A constitutes forward-looking information and may contain forward-looking statements. These statements relate to future events and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, and performance or achievements expressed or implied by such forward-looking statements. Where "we", "us", "our", "ILI," "ILI Technologies", "Company" or the "Corporation" is used, it is referring to ILI Technologies (2002) Corp. unless otherwise indicated. Additional information on the Company is available on SEDAR at www.sedar.com.

All amounts are in Canadian dollars, unless otherwise indicated.

This management's discussion and analysis ("MD&A") has been prepared in accordance with the requirements of National Instrument 51-102 and covers the period from January 1, 2008 to November 26, 2008 unless otherwise noted.

In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the MD&A and recommends its approval by the Board of Directors. The Board of Directors has approved this MD&A.

Company Overview

ILI Technologies is a rapidly emerging small-cap company that services the oil and gas industry with our head office in Calgary Alberta and subsidiaries in Gillette Wyoming, Houston Texas and Mexico. Originally founded to provide state of the art data collection, maintenance management, asset tracking and analysis tools for the oil and gas industry, the company has since added to its suite of product lines an extensive array of services and solutions. ILI targets sales of its products primarily toward larger oil and gas companies operating in Mexico, the US, and Canada. The Company believes that these companies will require a significant amount of tubing, wire products, and pumps to replace depleted existing pipelines as well as to drill and tie-in

new wells. The Company also believes it is strategically positioned with innovative products and distribution networks to service this demand and the Company will continue to expand sales of its products internationally and in the US and Canada.

Mission Statement

ILI's principal business is the development of high technology solutions that deliver innovative solutions which improve business performance. The company's primary focus is to identify emerging markets, provide cost effective data management alternatives for business, develop effective partnerships where appropriate, increase shareholder value and raise investment appetites, and build upon ILI's successful track record through increased product research and development.

Product Lines

CBM Pumps & Services

CBM Pumps & Services, acquired in March 2006, a division of ILI, supplies and services a wide variety of electric submersible pumps (ESP) and artificial lift support products for coal bed methane wells, and other oil and gas applications to its array of products. Our ESP's are multistage centrifugal pumps designed for durability and long run times. In wells with declining reservoir pressure or even in sand producing wells, an ESP pump can provide an economical lift method versus traditional production methods. We offer a "hands on" approach to each and every well to ensure the ESP is running at the highest efficiency.

CBM Pumps & Services has a wide range of pumps and motors to accommodate every well type and condition and Rotary Gas Separator to increase lift efficiency. Coal bed methane (CBM) gas production is anticipated to be a growth sector with production currently only accounting for approximately 10% in the United States and 2% in Canada of gas production and Mexico has numerous coal deposits being considered for gas production. Commercially successful CBM production began in Canada as recently as January 2002. Scientists estimate 700 trillion cubic feet of coal bed methane exists in the United States and 600 trillion cubic feet in Western Canada.

Thermoflex® Piping (Registered Trademark & Patents)

Thermoflex pipe is an innovative new flexible piping system that can be applied in areas where only steel piping could be used in the past. Thermoflex pipe uses a multi-layer design with mixed plastics to achieve far superior performance compared to traditional flexible pipe.

Thermoflex pipe is ideally suited for high pressure, high temperature applications especially when paraffin's are present. Typical applications include gathering lines, velocity strings and liners. No cathodic protection or coating is required and

installation costs are significantly less than steel. ILI acquired the exclusive rights to distribute Thermoflex pipe in 7 of the U.S. States, 3 of the Western Provinces in Canada, Mexico and China.

Multi-Layer Design

Thermoflex pipe is made from three fully bonded layers. Each layer serves a pivotal role in overall pipe performance.

Inner Layer: Constructed from Nylon and Fortron plastics. The inner layer is corrosion resistant and smooth to reduce pressure drop.

Middle Layer: Interwoven aramid fibers throughout the middle layer gives the pipe incredible tensile strength and pressure ratings.

Outer Layer: The outer layer is designed to resist abrasion, corrosion and high temperatures.

Advantages

- No cathodic protection or coating required
- Minimizes build-up of Paraffins, Asphaltenes and scales
- 1/10th the weight of steel
- 100 times less the relative roughness of steel
- Long continuous runs
- Lower installation costs when compared to steel
- High temperature applications
- 30% reduction in pressure drop compared to steel
- Pig cable pull through capable of multiple mile runs

Pressure Trax™, Sand Trax™ RFID

In addition to these new products, the Company continues to supply such products as Pressure Trax™, Sand Trax™, and RFID tags to the oil and gas industry. The Pressure Trax™ system is a battery powered, stand-alone system that can record pressure, temperature and time simultaneously, each of which can be displayed on a remote computer. The Sand Trax™ system is a non-intrusive instrument that measures and records particles in a fluid stream within a pipe. RFID or Radio Frequency Identification is a data carrier technology that transmits information via signals in the radio frequency portion of the electromagnetic spectrum. A Radio Frequency Identification system consists of an antenna and a transceiver, which reads the radio frequency and transfers the information to a processing device, and a transponder, or tag, which is an integrated circuit containing the radio frequency circuitry and information to be transmitted. This product is being targeted toward inventory control purposes for pipe producers, tool rental and other applications within the oil and gas industry.

Summary

The experienced management team of ILI believes artificial lift products and Thermoflex pipe are high growth areas and has been focusing efforts on the sales of these innovative products and expansion of these businesses. Management focus is on growth of sales through existing product lines by penetrating new market opportunities, building our customer base and increasing sales to existing customers. Long term growth of the Company could also be achieved through strategic acquisitions of businesses which compliment the values and innovations of the Company. Management is committed to this vision and to the Company, with the majority of senior management having been involved with the Company since its inception.

Results of Operations

Financial performance

The Company's net loss for the nine month period ended September 30, 2008 increased by \$603,639 to \$836,182 (\$0.04 per common share) from the loss of \$232,543 (\$0.01 per common share) reported for the nine month period ended September 30, 2007. The main reasons for the change in the reported loss figure are reduced revenues from operations for the period by \$1,666,829 or 31% compared to the same period of 2007 without a comparable reduction in cost due to the fact that a large portion of these costs being fixed costs, also interest income for the period decreased by \$200,928. Detailed discussion follows. Net loss for the three months period ended September 30, 2008 increased by \$23,477 compared to the same period for 2007.

Income Statement

Revenues from operations

Consolidated revenues from operations decreased by \$1,666,829 to \$3,711,202 for the nine months ended September 30, 2008 compared to \$5,378,031 for the nine months ended September 30, 2007. Consolidated revenues from operations for the three months ended September 30, 2008 increased by 5% compared to revenues for the same period in 2007.

Revenues for CBM Pumps and services (CBM) increased by 8% from 2,232,847 for the nine months ended September 30, 2007 to \$2,408,212 for the nine months ended September 30, 2008. The following is a breakdown of CBM revenues from operations for the three and nine months ended September 30, 2008 and 2007:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
ESP Pumps Revenue	677,231	483,732	2,212,966	2,206,973
Thermoflex Revenue	6,965	14,328	214,560	23,205
Other Sales and Rental Revenue	12,897	15	(19,314)	2,669
	<u>697,093</u>	<u>498,075</u>	<u>2,408,212</u>	<u>2,232,847</u>

The effect of revenue accruals carried forward from 2007 caused other sales and rental revenue to have a debit balance end of September 2008 as indicated above.

Revenues for ILI Technologies (2002) USA (ILI USA) decreased by 60% from \$2,841,795 for the nine months ended September 30, 2007 to \$1,144,947 for the nine months ended September 30, 2008. The following is a breakdown of ILI USA revenues from operations for the three and nine months ended September 30, 2008 and 2007:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Thermoflex Revenue	534,500	496,978	1,068,141	2,259,433
ESP Pumps Revenue	25,716	229,730	15,443	558,202
Sand Trax and Pressure Trax Revenue	18,253	19,919	20,764	25,410
Other Sales and Revenue	38,941	(4,526)	40,599	(1,250)
	<u>617,410</u>	<u>742,101</u>	<u>1,144,947</u>	<u>2,841,795</u>

The main reason for higher 2007 revenue was that it included a contract with a Mexican company for \$1,586,446 which was concluded in 2007 with no similar high value contracts in 2008.

Revenues for ILI Technologies (2002) Corp. (ILI Canada) decreased by 48% from \$303,389 for the nine months ended September 30, 2007 to \$158,043 for the nine months ended September 30, 2008. The following is a breakdown of ILI Canada revenues from operations for the three and nine months ended September 30, 2008 and 2007:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Pressure Trax and Sand Trax Revenue	23,520	43,225	56,570	243,443
Thermoflex Revenue	-	38,320	50,091	38,320
Other Sales and Rental Revenue	50,984	5,257	51,382	21,626
	<u>74,504</u>	<u>86,802</u>	<u>158,043</u>	<u>303,389</u>

The main reason for the variance in revenues from operations was the drop in Sand Trax sales and rental revenue in 2008 compared to 2007.

Cost of goods sold and services

Consolidated cost of goods sold and services decreased by \$856,492 or 25% to \$2,572,147 for the nine months ended September 30, 2008 compared to \$3,428,639 for the nine months ended September 30, 2007. Consolidated cost of goods sold and services from operations for the three months ended September 30, 2008 increased by 13% compared to cost of goods sold and services for the same period in 2007.

Cost of goods sold and services for CBM decreased by 3% from 1,646,838 for the nine months ended September 30, 2007 compared to \$1,598,904 for the nine months ended September 30, 2008. The following is a breakdown of CBM Cost of goods sold and services for the three and nine months ended September 30, 2008 and 2007:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
ESP Pumps and Wire Direct Cost	143,999	336,743	1,138,084	1,347,631
Thermoflex Tubing Direct Cost	(76,463)	2,538	143,073	532
Personnel and Other Direct Cost	113,252	115,291	317,747	298,675
	<u>180,788</u>	<u>454,572</u>	<u>1,598,904</u>	<u>1,646,838</u>

Cost of goods sold and services for ILI USA decreased by 50% from \$1,636,188 for the nine months ended September 30, 2007 compared to \$823,297 for the nine months ended September 30, 2008. The following is a breakdown of ILI USA Cost of Goods Sold and Services for the three and nine months ended September 30, 2008 and 2007:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Thermoflex Tubing Direct Cost	320,953	207,133	334,382	1,143,718
ESP Pumps Direct Costs	403,890	182,371	403,619	409,937
Personnel and Other Direct Cost	91,429	(1,190)	85,296	82,533
	<u>816,272</u>	<u>388,314</u>	<u>823,297</u>	<u>1,636,188</u>

Cost of goods sold and services for ILI Canada increased by 3% from \$145,613 for the nine months ended September 30, 2007 compared to \$149,945 for the nine months ended September 30, 2008. The following is a breakdown of ILI Canada Cost of Goods Sold and Services for the three and nine months ended September 30, 2008 and 2007:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Pressure Trax/Sand Trax Direct Costs	36	11,184	9,914	22,063
Thermoflex Direct Costs	-	29,436	29,519	29,436
Personnel and Other Direct Cost	34,398	31,166	110,513	94,114
	<u>34,434</u>	<u>71,785</u>	<u>149,946</u>	<u>145,613</u>

Gross margin

Gross margin percentages differ considerably between the presented periods due to varying profit margins on products and services mix included in the revenues generated for the period.

Selling General and administrative expenses (SG&A)

SG&A expenses increase by 7% from \$1,678,267 for the nine months period ended September 30, 2007 to \$1,792,408 for the nine months period ended September 30, 2008. The following is a breakdown of SG&A for the three and nine months ended September 30, 2008 and 2007.

Company	SG&A classification	3 months ended Sep. 30,		9 months ended Sep. 30,	
		2008	2007	2008	2007
ILI Canada	Transport costs	12,032	12,359	34,247	28,099
	Bad debts	-	-	(16,215)	-
	Supplies	4,903	757	5,324	1,785
	Insurance	14,351	8,834	40,484	28,380
	Investor Relations	23,963	30,500	51,461	30,500
	Office and general	24,654	33,286	93,418	90,856
	Other SG&A costs	5,714	3,254	23,404	13,713
	Professional fees	48,244	33,177	178,284	56,570
	Salaries & wages	81,166	135,591	403,772	304,727
	Travel	27,466	8,622	71,458	27,428
	Marketing costs	(2,927)	1,159	(2,648)	14,741
ILI Canada Total		239,566	267,539	882,989	596,799
CBM	Transport costs	22,541	27,157	72,276	72,655
	Bad debts	(471)	-	(14,495)	-
	Supplies	2,604	1,681	1,246	-
	Insurance	17,702	13,968	17,702	13,968
	Office and general	12,869	22,850	46,048	83,069
	Other SG&A costs	46,605	20,158	31,592	62,344
	Professional fees	9,932	6,629	29,717	6,629
	Salaries & wages	133,186	37,320	303,901	252,511
	Travel	13,652	4,723	26,288	29,604
CBM Total		258,620	134,486	514,275	520,780
ILI Houston	Transport costs	6,987	5,701	20,190	17,619
	Bad debts	(5,865)	-	(25,955)	-
	Supplies	696	19	696	(128)
	Insurance	9,003	6,959	9,096	6,784
	Office and general	(3,697)	21,059	54,984	44,105
	Other SG&A costs	867	3,216	(3,762)	7,150
	Professional fees	14,187	17,360	27,354	35,873
	Salaries & wages	105,486	171,543	282,822	405,755
	Travel	11,770	24,472	27,071	58,271
ILI Houston Total		139,434	250,329	392,496	575,429
Grand Total		637,620	652,354	1,789,760	1,693,008

Amortization expense

Amortization expense for the three and nine months ended September 30, 2008 was \$42,779 and \$130,023, compared to \$37,511 and \$100,681 for the same period 2007. The increase is largely due to the purchase of the new building in Gillette, Wyoming in June 2007, in order to consolidate the 3 CBM locations into one larger facility in one location. This better positions the artificial lift business for growth. The following is a segmental analysis of amortization expense:

	Three months ended September 30,			Nine months ended September 30,		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
<u>2008</u>						
Amortization	6,922	35,857	42,779	20,765	109,259	130,023
<u>2007</u>						
Amortization	1,539	35,972	37,511	45,441	55,241	100,681

Amortization and depreciation of the Company's property and equipment incorporates estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change, thereby impacting the operation of the Company's property and equipment.

Interest expense

For the nine months ended September 30, 2008, interest expense decreased to \$34,395 compared to \$50,032 in 2007. Interest expense for the three months ended September 30, 2008 were \$12,264 compared to \$30,518 in 2007. The following is a segmental analysis of interest expense:

	Three months ended September 30,			Nine months ended September 30,		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
<u>2008</u>						
Interest expense	2,183	10,081	12,264	6,115	28,280	34,395
<u>2007</u>						
Interest expense	4,349	26,169	30,518	12,451	37,582	50,032

Stock-based compensation

The Company recorded stock-based compensation expense of \$32,747 for both the three and nine month periods ended September 30, 2008. Stock-based compensation for the three and nine months ended September 30, 2007 were \$18,114 and \$95,235 respectively. The decrease in charges booked for the nine months period ended September 30, 2008 compared to the same period in 2007 is mainly due to the fact that stock purchase options granted in 2007 vested entirely in the same year while options granted in 2008 vest over two years.

Interest income

Interest income for the nine months ended September 30, 2007 amounted \$221,131 compared to \$20,203 for the same period of 2008, the variance between the two periods resulted mainly from lower cash balances during 2008 compared to 2007 as well the non elimination of intercompany interest charges in 2007.

Balance Sheet

Working capital (current assets minus current liabilities) as of September 30, 2008 was \$3,753,116 (\$4,520,520 as at December 31, 2007).

Cash and cash equivalents decreased from \$1,818,476 as at December 31, 2007 to \$228,567 as at September 30, 2008. The decrease in cash and cash equivalents is mainly due to a net loss for the nine months ended September 30, 2008 of \$836,182.

Accounts receivable increased by \$614,964 from \$927,943 as at December 31, 2007 to \$1,542,907 as at September 30, 2008. Efforts are being made by the Company to collect receivables on a timely basis.

Accounts payable and accrued liabilities balances as at September 30, 2008 amounted \$236,143 compared to a balance of \$314,907 at December 31, 2007; this decrease was largely due to management monitoring of inventory level in the attempt to minimize ordered quantities to cover the needs of high turnover items after these inventory levels increased by 66% compared to their 2007 levels (inventory balance end of September 30, 2008 amounted \$1,542,907 compared to \$927,943 as at December 31, 2007).

Goodwill and the Purchase Price Allocation

Goodwill is the amount that results when the cost of acquired assets exceeds their fair values, at the date of acquisition. In the Company's case, goodwill arose upon the acquisition of CBM. Goodwill is recorded at cost, not amortized and tested at least annually for impairment. The impairment test includes the application of a fair value test, with an impairment loss recognized when the carrying amount of goodwill exceeds its estimated fair value. Impairment provisions are not reversed if there is a subsequent

increase in the fair value of goodwill. In 2007, management completed a goodwill impairment test, the results of which did not indicate impairment.

Summary of Quarterly Results (Unaudited)

Quarter ended	Total Revenue (\$)	Gross Profit (loss) (\$)	Net Income (Loss) (\$)	EPS Basic (\$/share)	EPS Diluted (\$/share)
September 30, 2008	1,389,007	357,513	(316,417)	(0.02)	(0.02)
June 30, 2008	1,307,717	592,037	(54,942)	(0.00)	(0.00)
March 31, 2008	1,033,814	410,948	(419,823)	(0.02)	(0.02)
December 31, 2007	(292,670)	(346,081)	(1,952,259)	(0.07)	(0.07)
September 30, 2007	1,326,978	412,307	(311,301)	(0.01)	(0.01)
June 30, 2007	1,106,768	573,839	(331,098)	(0.02)	(0.02)
March 31, 2007	2,962,923	1,190,058	409,857	0.02	0.02
December 31, 2006	1,216,816	336,414	(775,945)	(0.04)	(0.03)

Historically, ILI has predominately operated in Canada, and therefore has been subject to general economic conditions that are considered normal for Canadian oil and gas service companies – primarily spring break up, which arrives in the second quarter with decreased activity through most of the third quarter before winter work picks up in the fourth quarter and into the first quarter of the following year. These conditions also hold for ILI's newer operating areas in the US.

In the first quarter 2008, revenue was significantly impacted by minimal Thermoflex sales compared to the same period in 2007. Although Thermoflex sales have increased the same holds true for the slow down in the US and Canada leaving other sales to decrease as they have traditionally in the past.

Liquidity and Capital Resources

ILI maintains a strong balance sheet. Working capital is \$3,753,116 as at September 30, 2008 compared to \$4,520,520 as at December 31, 2007). Cash flows from operating activities were \$(611,661) and \$(1,325,187) for the three and nine months ended September 30, 2008 compared to \$(647,677) and \$(1,650,663) for the three and nine months ended September 30, 2007. The negative cash flows from operating activities are due to operating losses during these periods. Going forward, the Company may have to keep more of its working capital as inventory and accounts receivable as it moves towards revenue growth generation through sales of Thermoflex products; however the Company's working capital position is such that this can be achieved while still maintaining a healthy balance sheet.

The Company has historically operated with very little debt but expect that this could change in the future, as future increases in sales could result in increases to accounts receivable and inventory.

ILI currently has sufficient financial resources on hand to meet its near term operating requirements. Any future acquisitions or expansions would require further financial resources.

Summary of Share Capital

As at September 30 and November 26, 2008, the Company had 21,574,928 common shares issued and outstanding, 1,655,000 outstanding options with a weighted average exercise price of \$0.37 (only 1,171,250 were exercisable as at that date), and 2,013,338 outstanding warrants. As at November 26, 2008 gross proceeds raised through equity financing since inception by the Company amounted \$9,638,578.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Related Party Transactions

For the nine months period ended September 30, 2008, the Company paid professional and consulting fees to "Demianschuk, Milley, Burke & Hoffinger" Barristers & Solicitors (DMBH), a law firm where a company director is a partner in the amount of 25,307 (\$66,718 for the year 2007). These transactions were in the normal course of business and entered into with the same terms as non-related parties and are recorded at their agreed to exchange amounts which reflect fair values. At September 30, 2008, accounts payable included \$26,974 of unpaid fees to this related party (December 31, 2007 - \$nil). Total fees booked for DMBH for the nine months ended September 30, 2008 were \$52,281 (\$66,718 for the year 2007).

Changes in Accounting Policies

As noted in the annual MD&A, the Company adopted three new accounting policies effective January 1, 2008:

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") standards; Section 3862, *Financial Instruments Disclosures* and Section 3863, *Financial Instruments Presentation*, which replaced Section 3861, *Financial Instruments Disclosures and Presentation*. The only effect on the Company is incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance; and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

Effective January 1, 2008, the Company adopted CICA Section 1535, *Capital Disclosures* which establishes standards for disclosing information about the Company's capital and how it is managed. It requires disclosures of the Company's objectives, policies and processes for managing capital, the quantitative data about what the company regards as capital, whether the Company has complied with any capital requirements and if it has not complied, the consequences of such non-compliance.

Effective January 1, 2008, the Company adopted CICA Section 3031, *Inventories* to harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards. This standard established guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

There is no material impact on the consolidated financial statements from adopting these new policies.

Critical Accounting Policies and Estimates

This MD&A is based on the Company's annual consolidated financial statements that have been prepared in accordance with Canadian GAAP. Management is required to make assumptions, judgements and estimates in the application of GAAP. ILI's significant accounting policies are described in note 2 to the annual consolidated financial statements. The preparation of the consolidated financial statements requires that certain estimates and judgements be made concerning the reported amount of revenues and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgement. Anticipating future events involve uncertainty, and consequently, the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is acquired or the environment in which the Company operates changes. The following accounting policies and practices involve the use of estimates that have a significant impact on the Company's financial results.

Business Risks and Uncertainties

As an evolving international oilfield technology and service company, ILI faces several key risks in its business, including possible commodity price downturns, emergence of superior competing technologies, retention of skilled employees, reliance on relatively few key suppliers and customers, unpredictable foreign exchange fluctuations, and availability of adequate capital under terms favorable to the company.

Dated March 3rd, 2009.

This offering memorandum does not contain a misrepresentation.

Signed "*Guy Farebrother*"
Chief Executive Officer

Signed "*Shamel Costandy*"
Chief Financial Officer

Signed "*Thomas Milley*"
Director

Signed "*Edward Michielsen*"
Director

Dated March 3rd, 2009.

This offering memorandum does not contain a misrepresentation.

Signed "*Guy Farebrother*"
Chief Executive Officer

Signed "*Shamel Costandy*"
Chief Financial Officer

Signed "*Thomas Milley*"
Director

Signed "*Edward Michielsen*"
Director

ILI TECHNOLOGIES (2002) CORP.

PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT - INSTRUCTIONS TO PURCHASER

1. All purchasers must complete all the information in the boxes on page 1 of Schedule "A" to the Offering Memorandum and execute the same.
2. All Subscribers (except those Subscribers from Ontario) are to complete two copies of the Form 45-106F4 - Risk Acknowledgment (Schedule "B" to the Offering Memorandum) *and the Subscriber should keep one copy of the same.*
3. If you are not an individual (that is, the Purchaser is a corporation, partnership, trust or entity other than an individual) or you are a portfolio manager, then complete and sign the "Corporate Placee Registration Form" - Form 4C (Schedule "E" to the Offering Memorandum). If you have previously submitted this form to the TSX Venture Exchange and there have been no changes to its content then please check the box to that effect on page 1.
4. If you are a resident of Alberta, Saskatchewan, Manitoba or Prince Edward Island and are investing more than \$10,000.00 in the purchase of Units, then you must complete and execute the Certificate of Eligible Investor (Schedule "C" to the Offering Memorandum).
5. If you are a resident of Ontario and are an "accredited investor", then complete and sign the "Accredited Investor Form" (Schedule "D" to the Offering Memorandum). The purpose of the form is to determine whether you meet the standards of an "accredited investor".

PLEASE READ THE ABOVE INSTRUCTIONS CAREFULLY TO ENSURE ALL DOCUMENTS, AS APPLICABLE TO YOUR SUBSCRIPTION, ARE COMPLETED PROPERLY. PLEASE RETURN YOUR COMPLETED SUBSCRIPTION AGREEMENT TO ILI TECHNOLOGIES (2002) CORP. C/O DMBH LLP, 1200 - 1015 4TH STREET, S.W., CALGARY, ALBERTA, T2R 1J4, ATTENTION: THOMAS MILLEY (FAX: 403-263-8529 PHONE: 403-252-9937).

SCHEDULE "A"**PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT**

TO: ILI Technologies (2002) Corp. (the "Corporation"), c/o 1200, 1015 - 4th Street, SW, Calgary, Alberta, T2R 1J4

Subject and pursuant to the terms and conditions set out in Appendix "A" attached hereto, the Subscriber hereby irrevocably subscribes for the following Units of the Corporation at the following price: Number of Units: _____ at \$0.10 per Unit for a total purchase price of \$ _____.

The Purchaser owns, directly or indirectly, the following securities of the Corporation: _____
[Check if applicable] The Purchaser is ☐ an insider of the Corporation or ☐ a member of a Pro Group
[Check if applicable] The Purchaser has on file with the TSX Venture Exchange a current Form 4C ☐

The Purchaser directs the Issuer to issue, register and deliver the certificates representing the Purchased Securities as follows:

REGISTRATION INSTRUCTIONS**DELIVERY INSTRUCTIONS**

Name to appear on certificate _____

Name and account reference, if applicable _____

Account reference if applicable _____

Contact name _____

Address _____

Address _____

Telephone Number _____

EXECUTED by the Purchaser this ____ day of _____, 2009. By executing this Subscription Agreement, the Purchaser certifies that the Purchaser and any beneficial purchaser for whom the Purchaser is acting is resident in the jurisdiction shown as the "Address of Purchaser".

WITNESS:**EXECUTION BY PURCHASER:**

Signature of Witness _____

Signature of individual (if Purchaser is an individual) _____

Name of Witness _____

Authorized signatory (if Purchaser is not an individual) _____

Address of Witness _____

Name of Purchaser (please print) _____

Name of authorized signatory (please print) _____

Address of Purchaser (residence) _____

Telephone Number _____

E-mail address _____

ACCEPTANCE

This subscription is accepted by the Corporation this ____ day of _____, 2009

ILI TECHNOLOGIES (2002) CORP.

Per: _____

APPENDIX "A"

1. RESTRICTIONS ON TRANSFERABILITY OF UNITS

The Subscriber acknowledges that it has been advised and is fully aware that:

- (a) the Units offered pursuant to the offering memorandum of the Corporation dated March 3rd, 2009, (the "Offering Memorandum"), have not been qualified for distribution in Canada by the filing of a prospectus with any securities commission or other securities regulatory authority and no securities commission or similar regulatory authority has reviewed or passed on the merits of the Securities;
- (b) the Units are being offered hereunder in reliance upon specific exemptions from the prospectus requirements contained in Sections 2.3 and 2.9 of National Instrument 45-106 ("NI 45-106") adopted by, inter alia, the securities regulatory authorities of Alberta, Saskatchewan, Manitoba, Ontario and British Columbia;
- (c) the Units will be subject to restrictions on resale until such time as:
 - (i) the statutory hold period has expired;
 - (ii) a further statutory exemption may be relied upon by the Subscriber; or
 - (iii) an appropriate discretionary order is obtained pursuant to applicable securities laws;
- (d) the certificates representing the Units will bear a legend indicating the applicable resale restrictions;
- (e) the Units are priced at \$0.10 per Unit.

2. CREATION OF UNITS

Upon receipt of payment therefore, the Units (and the underlying Common Shares) shall be duly and validly created and issued as fully paid and non-assessable Units of the Corporation.

3. REPRESENTATIONS OF THE SUBSCRIBER

By executing this subscription, the Subscriber represents, warrants and covenants to the Corporation (and acknowledges that the Corporation and its counsel are relying thereon) that:

- (a) it has been independently advised as to the applicable resale restrictions imposed in respect of the Units by securities legislation in the jurisdiction in which it resides and confirms that no representation has been made respecting the transferability of, or the applicable hold periods for, the Units and is aware of the risks and other characteristics of the Units and of the fact that the undersigned may not be able to resell the Units except in accordance with the applicable securities legislation and regulatory policy; AND
- (b) it has received and relied solely on the information contained in the Offering Memorandum, which Offering Memorandum was delivered to it before an agreement of purchase and sale was entered into to purchase the Units; AND
- (c) it has not relied on any oral representations in respect of the Units; AND
- (d) it and any beneficial purchaser for whom it is acting are resident in the jurisdiction set forth above as the Subscriber's Address, and the purchase by and sale to the Subscriber of the Units and any act, solicitation, conduct or negotiation directly or indirectly in furtherance of such sale (by the Subscriber or by any beneficial purchaser for whom the Subscriber is acting) has occurred only in such jurisdiction; AND
- (e) unless exempted by an order of the securities commission or similar regulatory authority of the province in which it resides, it is purchasing the Units as principal for its own account, not for the benefit of any other person, and not with a view to the resale or distribution of all or any of the Units; AND
- (f)
 - (i) if it is resident in Alberta, Saskatchewan or Manitoba, then it is an "Eligible Investor" as such term is defined in NI 45-106 and has confirmed such status by completing and executing the Certificate of Eligible Investor attached as Schedule "C" to the Offering Memorandum; **OR**
 - (ii) if it is resident in Ontario it is an "Accredited Investor" as such term is defined in NI 45-106 and has confirmed such status by completing and executing the "Accredited Investor" Certificate attached as Schedule "D" to the Offering Memorandum; **AND**
 - (iii) if it is a corporation, partnership, trust or entity other than an individual or if it is a portfolio manager, then complete and sign the "Corporate Placee Registration Form" - Form 4C (Schedule "E" to the Offering Memorandum), unless it has previously submitted this form to the TSX Venture Exchange and there have been no changes to its content (if so then check the box to that effect on page of Schedule "A"); **AND**

(iv) it has (unless the subscriber is from Ontario) completed and executed the Risk Acknowledgment Form attached as Schedule "B" to the Offering Memorandum as required by NI 45-106;

In addition to satisfying the applicable provisions of the subparagraphs in this Paragraph 3(f) it will not resell the Units except in accordance with the provisions of applicable securities legislation; AND

- (g) the Subscriber has the legal capacity and competence to enter into and execute this Agreement and to take all actions required pursuant hereto and, if an individual is of full age of majority, and if the Subscriber is a corporation it is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation, and all necessary approvals by its directors, shareholders and others have been given to authorize the execution of this Agreement on behalf of the Subscriber; AND
- (h) If it is a resident of a Province other than Alberta, Saskatchewan, Ontario, Manitoba or British Columbia, it is purchasing pursuant to an exemption from prospectus or registration requirements available under the securities legislation of its province of residence and shall deliver to the Corporation such particulars of the exemption(s) and the undersigned's qualifications thereunder as the Corporation in its sole discretion may request; AND
- (i) It acknowledges that the Units have not been registered under the 1933 Act and may not be offered or sold in the United States unless registered under the 1933 Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, and that the Corporation has no obligation or present intention of filing a registration statement under the 1933 Act in respect of the Units; AND
- (j) the entering into of this Agreement and the transactions contemplated hereby will not result in the violation of any of the terms and provisions of any law applicable to, or the constituting documents of, the Subscriber or of any agreement, written or oral, to which the Subscriber may be a party or by which it is or may be bound; AND
- (k) if a corporation or other entity, the undersigned has been duly incorporated or created, as the case may be, and is valid and subsisting under the laws of its jurisdiction of incorporation or creation and has good and sufficient power, authority and right to enter into and deliver this Subscription Agreement and to perform its obligations hereunder; AND

- (l) if required by applicable securities legislation, policy or order or by any securities commission, stock exchange or other regulatory authority, the undersigned will execute, deliver, file and otherwise assist the Corporation in filing such reports, undertakings and other documents with respect to the issue of the Units; AND
- (m) This subscription has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligations of the undersigned; AND
- (n) the delivery of this Subscription Agreement, the acceptance of it by the Corporation, the issuance of the Units to the Subscriber complies with all applicable laws of the Subscriber's jurisdiction of residence or domicile and all other applicable laws and will not cause the Corporation to become subject to or comply with any disclosure, prospectus or reporting requirements under any such applicable laws; AND
- (o) the Subscriber agrees that the Corporation may be required by law or otherwise to disclose to the TSX Venture Exchange and/or the regulatory authorities the identity of the Subscriber and each beneficial purchaser for whom the Subscriber may be acting, and the Subscriber provides its consent to: (a) the disclosure of personal information by the Corporation to any applicable securities regulatory authorities, the TSX Venture Exchange, the Corporation's legal counsel and any other party involved in the purchase and sale of the Units; and (b) the collection, use and disclosure of personal information by the Commissions; AND
- (p) the certificates representing the Units will bear a legend denoting the restrictions on transfer under applicable securities laws or pursuant to the policies of the TSX Venture Exchange. The Subscriber agrees to sell, assign or transfer the Units only in accordance with the requirements of applicable securities laws and such legends; AND
- (q) no person has made to the Subscriber any written or oral representations: (i) that any person will resell or repurchase any of the Units; (ii) that any person will refund the purchase price of any of the Units; or (iii) as to the future price or value of any of the Units; AND
- (r) the Subscriber has no knowledge of a "material fact" or "material change" in the affairs of the Corporation that has not been generally disclosed to the public; AND
- (s) the offer made by this subscription is irrevocable (subject to the Subscriber's right to withdraw his subscription and to terminate his obligations within two business days following

the Subscriber's execution of this Agreement) and requires acceptance by the Corporation;
AND

- (t) the Corporation will have the right to accept this subscription offer in whole or in part and the acceptance of this subscription offer will be conditional upon the sale of the Units to the Subscriber being exempt from the prospectus and registration requirements under applicable relevant securities legislation; AND
- (u) the Subscriber has been advised to consult its own legal advisors with respect to the applicable hold periods imposed in respect of the Units by applicable securities legislation and regulatory policies and confirms that no representations by the Corporation have been made respecting the hold periods applicable to the Units; AND
- (v) the Subscriber has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment and is able to bear the economic risk of loss of its investment; AND
- (w) the funds representing the aggregate subscription price for the Units which will be advanced by the Subscriber hereunder will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and the Subscriber acknowledges that the Corporation may in the future be required by law to disclose the Subscriber's name and other information relating to this Subscription Agreement and the Subscriber's subscription hereunder, on a confidential basis, pursuant to such act. To the best of its knowledge: (a) none of the subscription funds to be provided by the Subscriber (i) have been or will be derived from or related to any activity that is deemed criminal under the law of Canada, the United States, or any other jurisdiction, or (ii) are being tendered on behalf of a person or entity who has not been identified to the Subscriber; and (b) the Subscriber shall promptly notify the Corporation if the Subscriber discovers that any of such representations ceases to be true, and to provide the Corporation with appropriate information in connection therewith; AND
- (x) his subscription and the transactions contemplated hereby are conditional upon and subject to the Corporation receiving the TSX Venture Exchange's approval of the transactions contemplated hereby.

The Subscriber acknowledges and agrees that the foregoing representations and warranties are made by the Subscriber with the intent that they may be relied upon in determining its eligibility as a purchaser of the Units

under relevant securities legislation and the Subscriber hereby agrees to indemnify and hold harmless the Corporation, and its representatives, directors, officers, employees and agents from and against all losses, liability, claims, costs, expenses and damages from reliance thereon in the event that any of such representations or warranties are untrue in any material respect. The Subscriber further agrees that by accepting the Units, the Subscriber shall be representing and warranting that the foregoing representations and warranties contained herein or in any document furnished by the Subscriber to the Corporation are true as at the closing with the same force and effect as if they had been made by the Subscriber as at the closing and that the representations, warranties and covenants herein contained shall survive the purchase by the Subscriber of the Units and shall continue in full force and effect notwithstanding any subsequent disposition by the Subscriber of the Units.

4. ISSUANCE OF UNITS

The Subscriber directs that, upon acceptance of this offer by the Corporation, the Units purchased by the Subscriber be issued in the Subscriber's name and address provided on the Registration Instructions.

5. TWO DAY RIGHT OF WITHDRAWAL

The Subscriber may rescind this Subscription Agreement by sending written notice to the Corporation not later than midnight (local time) on the second day, exclusive of Saturdays and holidays, after the Subscriber signs this Subscription Agreement.

6. RELIANCE ON SUBSCRIBER'S REPRESENTATIONS

The foregoing representations, warranties and covenants are made by the undersigned with the intent that they be relied upon in determining its suitability as a purchaser of Units and the undersigned hereby agrees to indemnify the Corporation against all losses, claims, costs, expenses and damages or liabilities which any of them may suffer or incur caused or arising from reliance thereon. The undersigned undertakes to notify the Corporation immediately of any change in any representation, warranty or other information relating to the undersigned set forth herein which takes place prior to the Closing Date at the following address:

ILI TECHNOLOGIES (2002) CORP.
110W, 4760 – 72nd Avenue, SE
Calgary, Alberta, T2C 3Z2
Attn: Chief Executive Officer

7. CLOSING

This offering may be completed in one or more partial closings in the discretion of the Corporation with the final closing expected to occur on or before April 17th, 2009.

8. DELIVERIES OF SUBSCRIBER

The undersigned agrees to deliver to the Corporation not later than 9:00 a.m. (Mountain time) on a date prior to the closing date as such date is communicated to the Subscriber: (a) this duly completed and executed subscription; and (b) such other documents as may be requested as contemplated by Paragraph 3(f) hereof. In addition, the undersigned will arrange for the payment of the Subscription Price in a manner acceptable to the Corporation.

9. FACSIMILED SUBSCRIPTIONS AND COUNTERPARTS

This Agreement may be executed in counterparts, each of which when delivered will be deemed to be an original and all of which together will constitute one and the same document and the Corporation will be entitled to rely on delivery by facsimile machine of an executed copy of this purchase offer, and acceptance by the Corporation of such facsimile copy will be equally effective to create a valid and binding agreement between the Subscriber and the Corporation as if the Corporation had accepted the purchase offer originally executed by the Subscriber.

10. TIME OF THE ESSENCE

Time is of the essence of this Agreement.

11. FURTHER ASSURANCES

The parties hereto each covenant and agree to execute and deliver such further agreements, documents and writings and provide such further assurances as may be required by the parties to give effect to this Agreement and without limiting the generality of the foregoing to do all acts and things, execute and deliver all documents, agreements and writings and provide such assurances, undertakings, information and investment letters as may be required from time to time by all regulatory or governmental bodies or stock exchanges having jurisdiction over the Corporation's affairs or as may be required from time to time under applicable securities laws.

12. NO ASSIGNMENT

This Agreement, which includes any interest granted or right arising under this Agreement, may not be assigned or transferred.

13. SUCCESSORS AND ASSIGNS

This Agreement enures to the benefit of and is binding upon the parties and, as the case may be, their respective heirs, executors, administrators and, successors.

14. GOVERNING LAW

The contract arising out of this subscription shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

15. SURVIVAL OF REPRESENTATIONS

The covenants, representations and warranties contained herein shall survive the closing of the transactions contemplated hereby.

16. USE OF PERSONAL INFORMATION

The Subscriber hereby acknowledges and consents to: (i) the disclosure by the Corporation of Personal Information concerning the Subscriber to the TSX Venture Exchange and a securities commission or other regulatory authority (a "Securities Commission"). Herein, "Personal Information" means any information about the Subscriber required to be disclosed to the TSX Venture Exchange or a Securities Commission whether pursuant to a Securities Commission form or a request made by a Securities Commission.

The Subscriber acknowledges and consents to: (i) the fact that the Corporation is collecting his personal information for the purpose of completing this Agreement; (ii) the Corporation retaining such personal information for as long as permitted or required by law or business practices; (iii) the fact that the Corporation may be required by securities laws, the rules and policies of any stock exchange or the rules of the Investment Dealers Association of Canada to provide regulatory authorities with any personal information provided by the Subscriber in this Agreement.

17. CORRECTION OF ERRORS

The Subscriber hereby authorizes the Corporation, acting reasonably, to correct any errors in, or complete any minor information missing from this Agreement or any Appendix which have been executed by the Subscriber and delivered to the Corporation, provided that notice of such correction or completion is provided to the Subscriber in a timely manner. The Subscriber consents to the filing of such documents and any other

documents as may be required to be filed with any securities regulatory authority in connection with the Private Placement.

18. ENTIRE AGREEMENT

Except as expressly provided in this Agreement, the Offering Memorandum and in the agreements, instruments and other documents contemplated or provided for herein, this Agreement contains the entire agreement between the parties with respect to the Units and there are no other terms, conditions, representations or warranties whether expressed, implied, oral or written, by statute, by common law, by the Corporation, or by anyone else.

19. AMENDMENT

The parties may amend this Agreement only in writing.

20. NOTICES

A party will give all notices or other written communications to the other party concerning this Agreement by hand or by registered mail addressed to such other party's respective address which is noted on the cover page of this Agreement.

END OF TERMS

Schedule "B"
Form 45-106F4

Risk Acknowledgement

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- The person selling me these securities is not registered with a securities regulatory authority and has no duty to tell me whether this investment is suitable for me.
[Instruction: Delete if sold by registrant]
- I will not be able to sell these securities for 4 months. *[Instruction: Delete if the purchaser is a Manitoba resident]*
- I could lose all the money I invest.

I am investing \$_____ [total consideration] in total; this includes any amount I am obliged to pay in future. ILI TECHNOLOGIES (2002) CORP. will pay \$_____ [amount of fee or commission] of this to _____ [name of person selling the securities] as a fee or commission.

I acknowledge that this is a risky investment and that I could lose all the money I invest.

Date

Signature of Purchaser

Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

WARNING

You have 2 business days to cancel your purchase

To do so, send a notice to ILI TECHNOLOGIES (2002) CORP., c/o DMBH LLP, stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to ILI TECHNOLOGIES (2002) CORP., c/o DMBH LLP, at its registered office address. Keep a copy of the notice for your records.

Issuer Name and Address: ILI TECHNOLOGIES (2002) CORP., c/o DMBH LLP
1200, 1015 – 4th Street, SW, Calgary, AB, T2R 1J4
Fax: (403) 263-8529 E-mail: tom@legalsolutions.ca

You are buying Exempt Market Securities

They are called *exempt market securities* because two parts of securities law do not apply to them. If an issuer wants to sell *exempt market securities* to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority.

There are restrictions on your ability to resell *exempt market securities*. *Exempt market securities* are more risky than other securities.

You will receive an offering memorandum Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

You will not receive advice [Instruction: Delete if sold by registrant]

You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or investment dealer. In Alberta, Manitoba, Northwest Territories, Prince Edward Island, Québec and Saskatchewan to qualify as an eligible investor, you may be required to obtain that advice. Contact the Investment Dealers Association of Canada (website at www.ida.ca) for a list of registered investment dealers in your area.

For more information on the exempt market, call your local securities regulatory authority.

British Columbia Securities Commission

P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Telephone: (604) 899-6854
Facsimile: (604) 899-6506

The Manitoba Securities Commission

1130 – 405 Broadway Avenue
Winnipeg, Manitoba R3C 3L6
Telephone: (204) 945-2548
Facsimile: (204) 945-0330

Alberta Securities Commission

4th Floor, 300 – 5th Avenue SW
Calgary, Alberta T2P 3C4
Telephone: (403) 297-6454
Facsimile: (403) 297-6156

Saskatchewan Financial Services Commission

6th Floor, 1919 Saskatchewan Drive
Regina, Saskatchewan, S4P 3V7
Telephone: (306) 787-5879
Facsimile: (306) 787-5899

Ontario Securities Commission

20 Queen Street West, Suite 1903

Toronto, ON M5H 3S8

Telephone: 877-785-1555

Facsimile: 416-593-8122

Email: inquiries@osc.gov.on.ca**Autorité des marchés financiers du Québec**800, square Victoria, 22^e étage

C.P. 246, tour de la Bourse

Montréal (Québec) H4Z 1G3

Phone: 514 395-0337

Fax: 514 873-3090

New Brunswick Securities Commission

85 Charlotte St Suite 300

Saint John, New Brunswick, E2L 2J2

Telephone: 1-506-658-3060

Email: information@nbsec-cvmnb.ca

Fax: 1-506-658-3059

Nova Scotia Securities Commission

P.O. Box 458

Halifax, NS, B3J 2P8

Telephone: (902) 424-7768

Fax: (902) 424-4625

www.gov.ns.ca/nssc/**PEI Securities Office**

Consumer, Corporate and Insurance Services Division

Office of the Attorney General

P.O. Box 2000

Charlottetown, PEI, C1A 7N8

Telephone: (902) 368-4000

Newfoundland & Labrador Financial Services Regulation Division

Department Of Government Services

PO Box 8700

St. John's NFLD, A1B 4J6

Telephone: (709) 729-4189

Fax: (709) 729-6187

[Instruction: The purchaser must sign 2 copies of this form. The purchaser and the issuer must each receive a signed copy.]

Risk Acknowledgement

- I acknowledge that this is a risky investment.
- I am investing entirely at my own risk.
- No securities regulatory authority has evaluated or endorsed the merits of these securities or the disclosure in the offering memorandum.
- The person selling me these securities is not registered with a securities regulatory authority and has no duty to tell me whether this investment is suitable for me.
[Instruction: Delete if sold by registrant]
- I will not be able to sell these securities for 4 months. *[Instruction: Delete if the purchaser is a Manitoba resident]*
- I could lose all the money I invest.

I am investing \$_____ [total consideration] in total; this includes any amount I am obliged to pay in future. ILI TECHNOLOGIES (2002) CORP. will pay \$_____ [amount of fee or commission] of this to _____ [name of person selling the securities] as a fee or commission.

I acknowledge that this is a risky investment and that I could lose all the money I invest.

Date

Signature of Purchaser

Print name of Purchaser

Sign 2 copies of this document. Keep one copy for your records.

WARNING

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To do so, send a notice to ILI TECHNOLOGIES (2002) CORP., c/o DMBH LLP, stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to ILI TECHNOLOGIES (2002) CORP., c/o DMBH LLP, at its registered office address. Keep a copy of the notice for your records.

Issuer Name and Address: ILI TECHNOLOGIES (2002) CORP., c/o DMBH LLP
1200, 1015 – 4th Street, SW, Calgary, AB, T2R 1J4
Fax: (403) 263-8529 E-mail: tom@legalsolutions.ca

You are buying Exempt Market Securities

They are called *exempt market securities* because two parts of securities law do not apply to them. If an issuer wants to sell *exempt market securities* to you:

- the issuer does not have to give you a prospectus (a document that describes the investment in detail and gives you some legal protections), and
- the securities do not have to be sold by an investment dealer registered with a securities regulatory authority.

There are restrictions on your ability to resell *exempt market securities*. *Exempt market securities* are more risky than other securities.

You will receive an offering memorandum Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

You will not receive advice [Instruction: Delete if sold by registrant]

You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or investment dealer. In Alberta, Manitoba, Northwest Territories, Prince Edward Island, Québec and Saskatchewan to qualify as an eligible investor, you may be required to obtain that advice. Contact the Investment Dealers Association of Canada (website at www.ida.ca) for a list of registered investment dealers in your area.

For more information on the exempt market, call your local securities regulatory authority.

British Columbia Securities Commission

P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Telephone: (604) 899-6854
Facsimile: (604) 899-6506

The Manitoba Securities Commission

1130 – 405 Broadway Avenue
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Telephone: (204) 945-2548
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Alberta Securities Commission

4th Floor, 300 – 5th Avenue SW
Calgary, Alberta T2P 3C4
Telephone: (403) 297-6454
Facsimile: (403) 297-6156

Saskatchewan Financial Services Commission

6th Floor, 1919 Saskatchewan Drive
Regina, Saskatchewan, S4P 3V7
Telephone: (306) 787-5879
Facsimile: (306) 787-5899

Ontario Securities Commission

20 Queen Street West, Suite 1903
Toronto, ON M5H 3S8
Telephone: 877-785-1555
Facsimile: 416-593-8122
Email: inquiries@osc.gov.on.ca

Autorité des marchés financiers du Québec

800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Phone: 514 395-0337
Fax: 514 873-3090

New Brunswick Securities Commission

85 Charlotte St Suite 300
Saint John, New Brunswick, E2L 2J2
Telephone: 1-506-658-3060
Email: information@nbsec-cvmnb.ca
Fax: 1-506-658-3059

Nova Scotia Securities Commission

P.O. Box 458
Halifax, NS, B3J 2P8
Telephone: (902) 424-7768
Fax: (902) 424-4625
www.gov.ns.ca/nssc/

PEI Securities Office

Consumer, Corporate and Insurance Services Division
Office of the Attorney General
P.O. Box 2000
Charlottetown, PEI, C1A 7N8
Telephone: (902) 368-4000

Newfoundland & Labrador Financial Services Regulation Division

Department Of Government Services
PO Box 8700
St. John's NFLD, A1B 4J6
Telephone: (709) 729-4189
Fax: (709) 729-6187

[Instruction: The purchaser must sign 2 copies of this form. The purchaser and the issuer must each receive a signed copy.]

SCHEDULE "C"
CERTIFICATE OF ELIGIBLE INVESTOR

(To be completed by all Subscribers from Alberta, Saskatchewan, Manitoba or Prince Edward Island
investing more than \$10,000)

TO: ILI TECHNOLOGIES (2002) CORP.

In connection with the purchase by the undersigned purchaser (the "Subscriber") of Units (the "Units") of ILI TECHNOLOGIES (2002) CORP. (the "Corporation"), the Subscriber or the undersigned on behalf of the Subscriber, as the case may be, hereby certifies for the benefit of the above addressee that:

1. The Subscriber is an "eligible investor" as defined in National Instrument 45-106 because the Subscriber is either: (check one of the following categories)

- ☐ (a) a person whose net assets, alone or with a spouse, in the case of an individual, exceed \$400,000;
- ☐ (b) a person whose net income before taxes exceeded \$75,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year;
- ☐ (c) a person whose net income before taxes, alone or with a spouse, in the case of an individual, exceeded \$125,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year;
- ☐ (d) a person of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors;
- ☐ (e) a general partnership of which all of the partners are eligible investors;
- ☐ (f) a limited partnership of which the majority of the general partners are eligible investors;
- ☐ (g) a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are eligible investors;
- ☐ (h) an accredited investor;
- ☐ (i) a person that has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser;
- ☐ (j) a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation;

- _____ (k) a spouse, parent, grandparent, brother, sister or child of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation
- _____ (l) a parent, grandparent, brother, sister or child of the spouse of a director, executive officer or control person of the Corporation or of an affiliate of the Corporation
- _____ (m) a close personal friend of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation
- _____ (n) a close business associate of a director, executive officer or control person of the Corporation, or of an affiliate of the Corporation
- _____ (o) a founder of the Corporation or a spouse, parent, grandparent, brother, sister, child, close personal friend or close business associate of a founder of the Corporation
- _____ (p) a parent, grandparent, brother, sister or child of a spouse of a founder of the Corporation;
- _____ (q) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (j) to (p) or
- _____ (r) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (j) to (p)

2. For the purposes of the definition of “eligible investor” noted above, the following definitions are included for convenience:

- (a) **“eligibility adviser”** means: (a) a person that is registered as an investment dealer or in an equivalent category of registration under the securities legislation of the jurisdiction of a purchaser and authorized to give advice with respect to the type of security being distributed; and (b) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not: (i) have a professional, business or personal relationship with the Corporation, or any of its directors, executive officers, founders, or control persons; and (ii) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the Corporation or any of its directors, executive officers, founders or control persons within the previous 12 months;
- (b) **“net assets”** means total assets less total liabilities; and
- (c) **“person”** means an individual, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative;

3. If other than an individual, the person signing on behalf of the Subscriber is the chief financial officer or other executive officer of the Subscriber.
4. If the undersigned is acting as trustee or agent of the Subscriber, the undersigned has due and proper authority to execute this certificate and all other documentation in connection with the Subscriber's purchase of Units on behalf of the Subscriber and the person signing on behalf of the undersigned is an executive officer of the undersigned.

Date: _____

Signature of Subscriber

By: _____

Print Name: _____

Title: _____

AND,

if this certificate is being executed on behalf of the Subscriber by a trustee or agent, fill in below:

Signature of trustee or agent as trustee or agent of the Subscriber

By: _____

Print Name: _____

Title: _____

SCHEDULE "D"
ACCREDITED INVESTOR FORM

(Capitalized terms not specifically defined in this Form have the meaning ascribed to them in the Subscription Agreement to which this Form is attached.)

In connection with the execution of the Subscription Agreement to which this Form is attached, the undersigned (the "Purchaser") represents and warrants to ILI TECHNOLOGIES (2002) CORP. (the "Issuer") that the Purchaser satisfies one or more of the categories indicated below (please place an "X" on the appropriate lines):

- ☐ Category 1 a Canadian financial institution, or a Schedule III bank
- ☐ Category 2 the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada)
- ☐ Category 3 a subsidiary of any person referred to in Category 1 or 2, if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary
- ☐ Category 4 a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador)
- ☐ Category 5 an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in Category 4
- ☐ Category 6 the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada
- ☐ Category 7 a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montreal or an intermunicipal management board in Québec
- ☐ Category 8 any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government
- ☐ Category 9 a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada
- ☐ Category 10 an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000
- ☐ Category 11 an individual whose net income before taxes exceeded \$200,000 in each of the two (2) most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two (2) most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year
- ☐ Category 12 an individual who, either alone or with a spouse, has net assets of at least \$5,000,000
- ☐ Category 13 a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements
- ☐ Category 14 an investment fund that distributes or has distributed its securities only to
- (a) a person that is or was an accredited investor at the time of the distribution;
- (b) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 of National Instrument 45-106 [*Minimum amount investment*], and 2.19 of National Instrument 45-106 [*Additional investment in investment funds*]; or
- (c) a person described in paragraph (a) or (b) that acquires or acquired securities under section 2.18 of National Instrument 45-106 [*Investment fund reinvestment*]
- ☐ Category 15 an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Quebec, the securities regulatory authority, has issued a receipt

- _____ Category 16 a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be \
- _____ Category 17 a person acting on behalf of a fully managed account managed by that person, if that person
- (a) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction; and
- (b) in Ontario, is purchasing a security that is not a security of an investment fund
- _____ Category 18 a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded
- _____ Category 19 an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in Categories 1 to 4 or Category 9 in form and function
- _____ Category 20 a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are *accredited investors*
- _____ Category 21 an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser
- _____ Category 22 a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as
- (a) an accredited investor; or
- (b) an exempt purchaser in Alberta or British Columbia after National Instrument 45-106 came into force.

The statements made in this Form are true and accurate as of the date of signing and will be true and accurate as of the Closing Date. If any such representations and warranties shall cease to be true and accurate at any time prior to Closing, the Purchaser will promptly notify the Issuer.

Dated _____ 2009.

Signature of individual (if Purchaser is an individual)

Authorized signatory (if Purchaser is not an individual)

Name of Purchaser (please print)

Name of authorized signatory (please print)

Official capacity of authorized signatory (please print)

For the purposes hereof:

- (a) "accredited investor" means a person who meets the criteria in any of the above categories;
- (b) "Canadian financial institution" means:

- (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or
- (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- (c) “eligibility adviser” means
 - (i) a person that is registered as an investment dealer or in an equivalent category of registration under the securities legislation of the jurisdiction of a purchaser and authorized to give advice with respect to the type of security being distributed; and
 - (ii) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not:
 - (A) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders or control persons, and
 - (B) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;
- (d) “financial assets” means
 - (i) cash,
 - (ii) securities, or
 - (iii) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;
- (e) “fully managed account” means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client’s express consent to a transaction;
- (f) “investment fund” means a mutual fund or a non-redeemable investment fund, and, for great certainty in British Columbia, includes an employee venture capital corporation and a venture capital corporation as such terms are defined in National Instrument 81-106 *Investment Fund Continuous Disclosure*;
- (g) “non-redeemable investment fund” means an issuer:
 - (i) whose primary purpose is to invest money provided by its securityholders;
 - (ii) that does not invest
 - (A) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or
 - (B) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund, and
 - (iii) that is not a mutual fund;
- (h) “person” includes
 - (i) an individual;
 - (ii) a corporation;
 - (iii) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not; and
 - (iv) an individual or other person in that person’s capacity as a trustee, executor, administrator or personal or other legal representative;
- (i) “related liabilities” means

- (i) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or
 - (ii) liabilities that are secured by financial assets;
- (j) "Schedule III bank" means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- (k) "spouse" means, an individual who,
 - (i) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual,
 - (ii) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or
 - (iii) in Alberta, is an individual referred to in paragraph (i) or (ii), or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta); and
- (l) "subsidiary" means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary.

**FORM 4C****CORPORATE PLACEE REGISTRATION FORM**

Where subscribers to a Private Placement are not individuals, the following information about the placee must be provided if such subscribers:

- (a) will hold more than 5% of the Issuer's issued and outstanding Listed Shares on a upon completion of the Private Placement; or
- (b) are subscribing for more than 25% of the Private Placement.

This Form will remain on file with the Exchange. The corporation, trust, portfolio manager or other entity (the "Placee") need only file it on one time basis, and it will be referenced for all subsequent Private Placements in which it participates. If any of the information provided in this Form changes, the Placee must notify the Exchange prior to participating in further placements with Exchange listed Issuers. If as a result of the Private Placement, the Placee becomes an Insider of the Issuer, Insiders of the Placee are reminded that they must file a Personal Information Form (2A) or, if applicable, Declarations, with the Exchange.

1. Placee Information:

- (ii) Name: ILI TECHNOLOGIES (2002) CORP.
- (iii) Complete Address: 110W, 4760 – 72nd Avenue, S.E., Calgary, Alberta, T2C 3Z2
- (iv) Jurisdiction of Incorporation or Creation: Alberta

2. (a) Is the Placee purchasing securities as a portfolio manager: (Yes/No)? _____
- (b) Is the Placee carrying on business as a portfolio manager outside of Canada:
(Yes/No)? _____

3. If the answer to 2(b) above was "Yes", the undersigned certifies that:

- (v) It is purchasing securities of an Issuer on behalf of managed accounts for which it is making the investment decision to purchase the securities and has full discretion to purchase or sell securities for such accounts without requiring the client's express consent to a transaction;

(vi) it carries on the business of managing the investment portfolios of clients through discretionary authority granted by those clients (a "portfolio manager" business) in _____ [jurisdiction], and it is permitted by law to carry on a portfolio manager business in that jurisdiction;

(vii) it was not created solely or primarily for the purpose of purchasing securities of the Issuer;

(viii) the total asset value of the investment portfolios it manages on behalf of clients is not less than \$20,000,000; and

(ix) it has no reasonable grounds to believe, that any of the directors, senior officers and other insiders of the Issuer, and the persons that carry on investor relations activities for the Issuer has a beneficial interest in any of the managed accounts for which it is purchasing.

4. If the answer to 2(a). above was "No", please provide the names and addresses of Control Persons of the Placee:

Name *	City	Province or State	Country

* If the Control Person is not an individual, provide the name of the individual that makes the investment decisions on behalf of the Control Person.

The undersigned acknowledges that it is bound by the provisions of applicable Securities Law, including provisions concerning the filing of insider reports and reports of acquisitions.

Dated at _____ on _____

(Authorized Signature)

(Official Capacity - please print)

(Please print name of individual whose signature appears above)

Acknowledgement - Personal Information

"Personal Information" means any information about an identifiable individual, and includes information contained in sections 1, 2 and 4, as applicable, of this Form.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B) pursuant to this Form; and
- (b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated at _____ on _____

(Name of Purchaser - please print)

(Authorized Signature)

(Official Capacity - please print)

(Please print name of individual whose signature appears above)

THIS IS NOT A PUBLIC DOCUMENT

Schedule "F"
Sample Warrant Certificate

WARRANT CERTIFICATE

ILI TECHNOLOGIES (2002) CORP.
110W, 4760 – 72nd Avenue, S.E., Calgary, Alberta, T2C 3Z2

WARRANT
CERTIFICATE NO. _____

WARRANTS

_____ entitling the holder to acquire, subject to adjustment, one Common Share for each whole Warrant represented hereby

THIS IS TO CERTIFY THAT _____, (hereinafter referred to as the "holder") is the registered holder of the number of Warrants to receive common shares ("Common Shares") of **ILI TECHNOLOGIES (2002) CORP.** (the "Corporation") as set forth in this certificate ("Warrant Certificate"). Each Warrant represented hereby entitles the holder thereof to acquire, one fully paid and non-assessable Common Share of the Corporation, without nominal or par value, as such shares were constituted on March 3, 2009, in the manner and subject to the restrictions and adjustments set forth herein, at any time and from time to time until the earlier of: (i) 4:30 p.m. (Calgary time) (the "Time of Expiry") on April 15, 2011; or (ii) on that date which is 30 days after the Corporation has delivered a notice to the holder specifying that the common shares of the Corporation have traded over the facilities of the TSX Venture Exchange (or such other stock exchange where the common shares of the Corporation may be trading at the time) at a price of at least \$0.30 per common share for at least 10 consecutive trading days; (the "Expiry Date") at a price of \$0.20 per share until the Time of Expiry on the Expiry Date.

The right to acquire Common Shares hereunder may only be exercised by the holder within the time set forth above by:

- (a) duly completing and executing the Exercise Form (see Appendix "I" attached hereto) available upon request from the Corporation at the principal office of the Corporation in the City of Calgary;
- (b) surrendering this Warrant Certificate and the duly completed and executed Exercise Form (Appendix "I") to the Corporation at the principal office of the Corporation in the City of Calgary; and
- (c) remitting cash, certified cheque, bank draft or money order in lawful money of Canada, payable to or to the order of the Corporation at par where this Warrant Certificate is so surrendered, for the aggregate purchase price of the Common Shares so subscribed for.

These Warrants shall be deemed to be surrendered only upon personal delivery hereof or, if sent by mail or other means of transmission, upon actual receipt thereof by the Corporation at the office referred to above.

Upon surrender of these Warrants, the person or persons in whose name or names the Common Shares issuable upon exercise of the Warrants are to be issued shall be deemed for all purposes to be the holder or holders of record of such Common Shares and the Corporation has covenanted that it will cause a certificate or certificates representing such Common Shares to be delivered or mailed to the person or persons at the address or addresses specified in the Exercise Form within ten Business Days.

The registered holder of this Warrant Certificate may acquire any lesser number of Common Shares than the number of Common Shares which may be acquired for the Warrants represented by this Warrant Certificate. In such event, the holder shall be entitled to receive a new Warrant Certificate for the balance of the Common Shares which may be

acquired. No fractional Common Shares will be issued and any fractional entitlements will be rounded up or down to the nearest whole number.

If the Corporation shall at any time subdivide its outstanding Common Shares into a greater number of shares, the Warrant purchase price shall be proportionately reduced and the number of subdivided Common Shares entitled to be purchased proportionately increased, and conversely, in case the outstanding Common Shares of the Corporation shall be combined into a smaller number of shares, the Warrant purchase price shall be proportionately increased and the number of combined Common Shares entitled to be purchased hereunder shall be proportionately decreased. If any capital reorganization, reclassification or consolidation of the capital stock of the Corporation, or the merger or amalgamation of the Corporation with another Corporation shall be effected, then as a condition of such reorganization, reclassification, consolidation, merger or amalgamation, adequate provision shall be made whereby the Holder shall have the right to purchase and receive upon the basis and upon the terms and conditions specified in the Warrant and in lieu of the Common Shares immediately theretofore purchasable and receivable upon the exercise of the rights represented hereby, such shares of stock, or other securities as may be issued with respect to or in exchange for such number of outstanding Common Shares equal to the number of Common Shares purchasable and receivable upon the exercise of this Warrant had such reorganization, reclassification consolidation, merger or amalgamation not taken place. The Corporation shall not effect any merger or amalgamation unless prior to or simultaneously with the consummation thereof the successor corporation (if other than the Corporation) resulting from such merger or amalgamation shall assume by written instrument executed and mailed or delivered to the Holder the obligation to deliver to such Holder such shares of the stock or securities with the foregoing provisions, as such Holder may be entitled to purchase.

If at any time: (i) the Corporation shall pay a dividend in stock upon its Common Shares or make any distribution to the Holders of its Common Shares; (ii) the Corporation shall offer for subscription pro rata to the Holders of its Common Shares any additional shares or stock of any class or other right; (iii) there shall be any capital reorganization of the Corporation with, or sale of all or substantially all of its assets to another Corporation; or (iv) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Corporation; then, and in any one or more of such cases, the Corporation shall give the Holder at least twenty (20) days prior written notice of the date on which the books of the Corporation shall close or a record shall be taken for such dividend, distribution or subscription rights, or for determining rights to vote with respect to such re-organization, reclassification, consolidation, merger or amalgamation, dissolution, liquidation or winding-up and in the case of any such re-organization, reclassification, consolidation, merger, amalgamation, sale dissolution, liquidation or winding up, at least twenty (20) days prior written notice of the date when the same shall take place. Such notice in accordance with the foregoing clause, shall also specify, in the case of any such dividend, distribution or subscription rights, the date on which the holders of the Common Shares shall be entitled thereto, and such notice in accordance with the foregoing shall also specify the date on which the holders of Common Shares shall be entitled to exchange their Common Shares for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, amalgamation, sale, dissolution, liquidation or winding-up as the case may be, and such written notice shall be given by personal delivery or by first class mail, registered, postage prepaid, addressed to the Holder at the address of the Holder first set out above or as the Holder may direct in writing to the Corporation at its address as first set forth herein.

The registered holder of this Warrant Certificate may, at any time prior to the Expiry Date, upon surrender hereof to the Corporation at its principal office in the City of Calgary, exchange this Warrant Certificate for other certificates entitling the holder to acquire, in the aggregate, the same number of Common Shares as may be acquired under this Warrant Certificate.

The holding of the Warrants evidenced by this Warrant Certificate shall not constitute the holder hereof a shareholder of the Corporation or entitle the holder to any right or interest in respect thereof except as expressly provided in this Warrant Certificate.

Subject to any applicable hold periods, if any, prescribed by Securities Legislation, the Warrants evidenced by this Warrant Certificate may be transferred on the register kept at the offices of the Corporation by the registered holder

hereof or its legal representatives or its attorney duly appointed by the Transfer Form (attached as Appendix "2" hereto) or by another instrument in writing in form and execution satisfactory to the Corporation, only upon compliance with such reasonable requirements as the Corporation may prescribe. The Warrants and the Common Shares issuable upon exercise thereof have not been registered under the U.S. Securities Act, or the securities laws of any state of the United States, and may not be transferred in the United States or to a U.S. Person unless the Warrants and the Common Shares issuable upon exercise thereof have been registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirement is available.

This Warrant Certificate shall not be valid for any purpose whatever unless and until it has been executed by or on behalf of the Corporation.

Time shall be of the essence hereof. This Warrant Certificate shall be governed by and construed in accordance with the laws of the province of Alberta and the federal law applicable therein and shall be treated in all respects as an Alberta contract.

IN WITNESS WHEREOF the Corporation has caused this Warrant Certificate to be signed by its duly authorized officers as of _____, 20__.

ILI TECHNOLOGIES (2002) CORP.

Per: _____

APPENDIX "1"

EXERCISE FORM

TO: **ILI TECHNOLOGIES (2002) CORP.** (the "Corporation")

(a) The undersigned hereby exercises the right to acquire and hereby subscribes for and agrees to take up _____ Common Shares (the "Common Shares") of **ILI TECHNOLOGIES (2002) CORP.** as constituted on March 3, 2009 (or such number of other securities or property to which such Warrants entitle the undersigned in lieu thereof or in addition thereto under the provisions of the Warrant Certificate) in accordance with and subject to the provisions of such Warrant Certificate and delivers herewith as payment of the exercise price of \$0.20 per Common Share until the Expiry Time on the Expiry Date payable by certified cheque, money order, cash or bank draft in lawful money of Canada payable to the Corporation in the amount of \$ _____ (the "Exercise Price").

(b) All terms capitalized herein and not otherwise defined shall have the same meaning as are ascribed to them in the Warrant Certificate entered into between the Corporation and the Holder.

Note: 1. If further nominees intended, please attach (and initial) schedule giving these particulars.

(c) Such securities (please check one):

i. _____ should be sent by first class mail to the following address:

OR

(y) ii _____ should be held for pick up at the office of the Corporation at which this Warrant Certificate is deposited.

(d) If the number of Warrants exercised are less than the number of Warrants represented hereby, the undersigned requests that the new Warrant Certificate representing the balance of the Warrants be registered in the name of _____

Whose address is _____

Such securities (please check one):

i. _____ should be sent by first class mail to the following address:

OR

----- ii ----- should be held for pick-up at the office of the Corporation at which this Warrant
Certificate is deposited.

In the absence of instructions to the contrary, the securities or other property will be issued in the name of or to the holder hereof and will be sent by first class mail to the last address of the holder appearing on the register maintained for the Warrants.

(e) The undersigned hereby represents and warrants to the Corporation that the undersigned (check one):

- i. _____ is not a U.S. Person and the Warrant is not being exercised within the United States or on behalf of, or for the account or benefit of, a U.S. Person or a person in the United States;
- ii. _____ was an original subscriber for Warrants or a transferee thereof, who was a U.S. Person at the time of the acquisition of such Warrants and the representations and warranties made by such person in connection with the acquisition of such Warrants remain true and correct on the date of exercise; or
- iii. _____ has delivered herewith to the Corporation a written opinion of counsel or other evidence satisfactory to the Corporation to the effect that the Common Shares have been registered under the U.S. Securities Act and applicable state securities laws or are exempt from registration thereunder.

If the foregoing correctly sets forth your understanding, please indicate your acceptance thereof by signing and returning the enclosed duplicate of this Exercise Form. This Exercise Form may be signed in counterpart which counterparts together shall be deemed to constitute one valid and binding agreement and delivery of counterparts may be effected by means of facsimile transmission.

DATED this ____ day of _____, 20____.

Signature Guaranteed

(Signature of Warrantholder)

Print full name

Print full address

Instructions:

4. For the purposes of paragraph (e) above, the following words and phrases have the following meanings:
“United States” and “U.S. Person” have the meaning given to such terms under Regulation S of the U.S. Securities Act. For the purposes of Regulation S. “United States” means the United States of America, its territories and possessions, any statue of the United States and the District of Columbia. “U.S. Person” includes, with certain exceptions, (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. Person; (iv) any trust of which any Corporation is a U.S. Person; (v) any agency or branch of a foreign entity located in the United States; (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or (if an individual) resident in the United States; and (viii) any partnership or corporation if (a) organized or incorporated under the laws of any jurisdiction other than the United States and (b) formed by a U.S. Person principally for the purposes of investing in securities not registered under the U.S. Securities Act; and
“U.S. Securities Act” means the United States Securities Act of 1933, as amended.
5. The registered holder may exercise its right to receive Common Shares by completing this form and surrendering this form and the Warrant Certificate representing the Warrants being exercised to the Corporation at its principal office in Calgary, Alberta. Certificates for Common Shares will be delivered or mailed within ten business days after the exercise of the Warrants.
6. If the Exercise Form indicates that Common Shares are to be issued to a person or persons other than the registered holder of the Certificate, the signature of such holder of the Exercise Form must be guaranteed by an authorized officer of a chartered bank, trust company or an investment dealer who is a member of a recognized stock exchange.

The signature on the Exercise Form must be guaranteed by a Schedule “A” major chartered bank/trust company, or a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words “**Signature Guaranteed**”.

*** Please note** - Signature Guarantees are not accepted from Treasury Branches or Credit Unions unless they are members of the Stamp Medallion Program.

**** Please note** - in the U.S.A., signature guarantees must be done by members of the “Medallion Signature Guarantee Program” only.

7. If the Exercise Form is signed by a corporation, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, the certificate must be accompanied by evidence of authority to sign satisfactory to the Corporation.

APPENDIX "2"

TRANSFER OF WARRANTS

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto (name) _____
of (address) _____,
_____ (number of warrants) Warrants of **ILI TECHNOLOGIES (2002) CORP.** registered in the
name of the undersigned on the records of the Corporation represented by the Warrant Certificate attached and
irrevocably appoints _____ the attorney of the undersigned to transfer the said
securities on the books or register with full power of substitution and confirms that the transfer is made in compliance
with all applicable securities legislation and requirements of regulatory authorities.

Such certificates (please check one):

(g) _____ should be sent by first class mail to the following address

(h) _____ should be held for pick up at the office of the Corporation at which this Warrant Certificate is
deposited.

If less than all the Warrants represented by this Warrant Certificate are being transferred, the Warrant Certificate
representing those Warrants not transferred will be registered in the name appearing on the face of this Warrant
Certificate and such certificates (please check one):

4. _____ should be sent by first class mail to the following address

5. _____ should be held for pick up at the office of the Corporation at which this Warrant Certificate is
deposited.

DATED the ____ day of _____, 20 ____.

Signature Guaranteed

(Signature of Warrantholder)

**Please note that any transfer of Warrants will require compliance with applicable securities legislation.
Transferors and transferees are urged to contact legal counsel before effecting any such transfer.**

Instructions:

1. The signature of the Warrantholder must be the signature of the person appearing on the face of this Warrant
Certificate and must be guaranteed by a Schedule "A" major chartered bank, a trust company, or a member of

an acceptable medallion guarantee program. The Guarantor must affix a stamp bearing the actual words **"Signature Guaranteed"**.

Please note - signature guarantees are not accepted from treasury branches or credit unions unless they are members of the Stamp Medallion Program.

Please note in the USA, signature guarantees must be done by members of the "Medallion Signature Guarantee Program" only.

2. If the Transfer Form is signed by a corporation, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a judiciary or representative capacity, the certificate must be accompanied by evidence of authority to sign satisfactory to the Corporation.
3. **The Warrants shall only be transferable in accordance with applicable laws.**
4. The Warrants and the Common Shares issuable upon exercise thereof have not been registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States, and may not be transferred in the United States or to a U.S. Person unless the Warrants and the Common Shares have been registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available. In connection with any transfer of Warrants, the holder will be required to provide to the Corporation an opinion of counsel, or other evidence, in form reasonably satisfactory to the Corporation, to the effect that such transfer of Warrants does not require registration under the U.S. Securities Act or any applicable state laws and regulations governing the offer and sale of securities.