

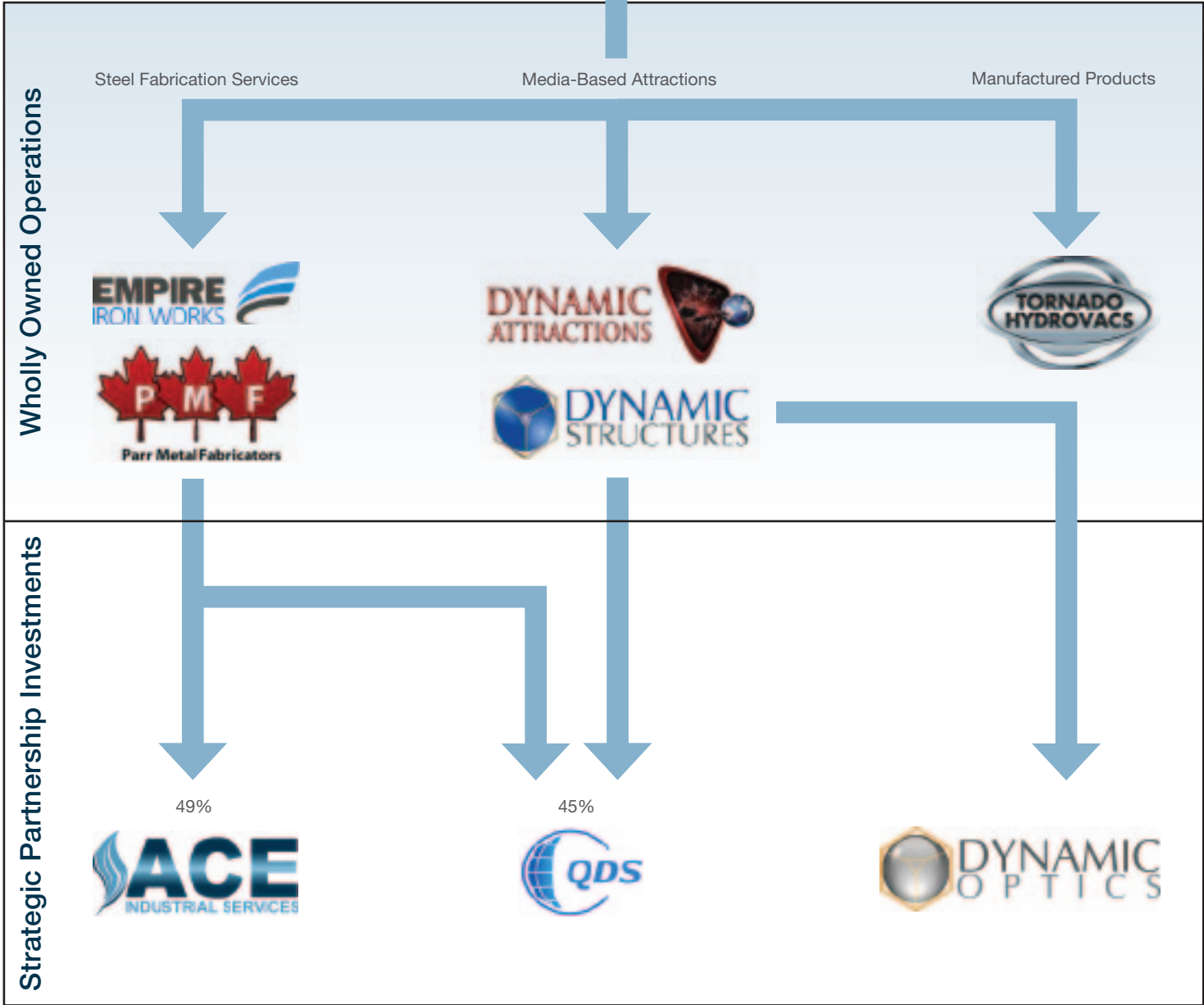
ANNUAL REPORT



Corporate Structure



100%





Report to Shareholders

2015 was another successful year for Empire. The \$8.0 million of EBITDA that was generated demonstrates that our strategy of recent years has been a good one. While remaining profitable, we have also put the wheels in motion for Empire's continued growth and development.

- The creation of our Unlimited Attractions Demonstration Centre in Orlando, Florida will ensure that we remain on the cutting edge of new attraction development and add another revenue stream to further enhance our product offering in the Media-based Attractions business segment. The investment in this new capability will drive more ride system sales through fulfilment of our customers need for turn-key solutions to unique guest experiences.
- Our proposed spin-out of Tornado Hydrovacs will allow Empire to increase its focus and capital allocation on its core business of Media Based Attractions, while allowing Tornado to capitalize on exciting opportunities in North America and China by leveraging its proprietary hydrovac technology and unique business strategy. Empire's shareholders as of the Record Date for this transaction, will have the ability to participate in this opportunity through their direct ownership of 54.5% of Tornado Global Hydrovacs Inc., which will become an independently operated, publicly listed company on the TSXV.
- The Thirty Metre Telescope partnership has decided to open up the question of where to locate the telescope and we remain confident the enclosure will be designed and built by Empire, albeit a little bit delayed.

There are tremendous opportunities in front of us, and we are well positioned to capitalize on them. There are plenty of reasons to be bullish on our long term future."

2015 Highlights

- Revenues increased by \$10.2 million (7.2%), to \$151.4 million from \$141.2 million in 2014. The increase was driven by an increase of \$35.2 million in the Media-based Attractions segment, offset by decreases totaling \$24.8 million in the Manufactured Products and Steel Fabrication segments.



- Adjusted EBITDA was consistent with 2014 at \$8.0 million. The mix of contribution to EBITDA was significantly different in 2015, with the Media-Based Attractions segment increasing its EBITDA by \$5.2 million to \$11.7 million. The Manufactured Products and Steel Fabrication segments were unable to contribute EBITDA due to significantly reduced volumes because of a market slow-down in western Canada.
- Net Income was down \$4.7 million to \$1.4 million from \$6.1 million in 2014. Per Share Net Income (Basic) was \$0.005 in 2015 (from \$0.024 in 2014). The vast majority of this decrease was from non-cash changes in deferred taxes and an increase in the unrealized loss in hedging contracts.
- Backlog of \$130 million, down from \$155 million at of the Group's third quarter report. Despite our backlog decline, our pipeline of active projects has never been larger or more high quality and robust.

Business Unit Update

Media-based Attractions

Over the past four years, we have invested heavily in creating and designing our own line of proprietary media-based attractions to complement our historical business of providing complex engineering, design and manufacturing solutions to some the world's largest theme park customers. We have successfully developed our own proprietary product line through numerous contract awards during this time. In 2015, we have been executing numerous contracts for our own proprietary products as well as traditional work for the world's largest theme park owners.

We opened two new office locations during 2015, one in Port Coquitlam, British Columbia and the other in Orlando, Florida. We have also invested in expanding the services we provide, introducing our Unlimited Attractions™, which offers our customers a much broader range of the products and services that transform a ride into a true media-based attraction. These services include story concept, lighting, scenery, media, special effects, etc. This service offering differentiates our line-up of iconic dark rides and theatre products from our competitors.



Hydrovac Trucks

As we write, we are in the process of spinning out our hydrovac truck segment into a new TSXV listed and traded company called Tornado Global Hydrovacs Ltd. We believe that the business has real prospects that will thrive better as a standalone company with its own capital structure and a \$10 million capital infusion from a strategic investor. Empire's shareholders will still have the ability to benefit from this opportunity through the common shares they receive from the spin-out transaction. You can read more about this exciting transaction on our website at www.empind.com. The Information Circular will also be available on-line and it will disclose the transaction in greater detail. In short, Empire has done an extensive market study, developed a unique plan, and found a strategic partner, giving Tornado the capacity to grow rapidly as the new plan is executed.

Telescopes

We are disappointed with the delays in on-site construction of the Thirty Meter Telescope because of a local protest in Hawaii. We remain very confident that the telescope enclosure will be designed and built by Empire. We as a company have designed and built more than half the world's large telescope enclosures over the past four decades so are uniquely positioned to deliver what will be the largest telescope enclosure ever built. The TMT partnership has decided to open up the question of where to locate the telescope and are actively looking at alternative sites to Hawaii. The preferred site remains Hawaii, but the partnership remains committed to building what will become a scientific wonder of the world, if not Hawaii, then the next best location. The Government of Canada remains a committed partner in the global TMT partnership that includes the United States, Japan, Canada, China and India.

Steel Fabrication

Low oil prices through 2015, and the associated significant reduction in capital expansion by energy firms in Western Canada, have taken a toll on this segment's profitability. We are continuing to execute our strategy to lower steel fabrication costs by complementing our domestic steel fabrication capacity with available capacity at lower costs from our 45% owned, steel fabrication joint venture in China. Our energy customers absolutely need to reduce the capital cost per barrel of their expansions. In spite of the current difficult conditions in this segment, we see long term value here. Therefore, we also continue to evaluate strategic options that can unlock intrinsic value. The devastating forest fires have added a level of personal trauma that can not be understated. We remain steadfast in supporting our joint venture in Fort McMurray and its employees in these particularly difficult and challenging times.

Outlook

The Company expects to continue to improve its operating performance in 2016 as a result of the following:

- The Media-based Attractions segment will continue to execute its backlog of high value added products and services. This segment continues to build multiple new products and services, including Unlimited Attractions™. It is anticipated that there will still be some learning curve challenges from an earned revenue and profit perspective because of the sheer number of new complex ride systems and service offerings being introduced. Our profit performance is expected to improve as second generation products get produced that take advantage of the one-time development costs associated with the first generation products.
- The weak Canadian dollar will continue to positively impact profit margins because the media based attractions are primarily sold in US dollars. There are costs that are incurred in US dollars as well, but there continues to be a net advantage of manufacturing in Canada and exporting in US dollars.

Our backlog remains healthy at \$130 million, down from \$155 million, as of December 31, 2014. The Company has a very healthy pipeline of sales prospects it is working on to turn into backlog, and has never felt more bullish about its sales pipeline.

Our plans to spin-out the Tornado hydrovac truck division into its own public company are proceeding on schedule. We anticipate closing the transaction by the end of June.



Summary

We have successfully repositioned Empire into being an industry leader in the higher margin and higher growth global market of media-based attractions. We still have work in front of us with respect to the Steel Fabrication segment, but we feel the opportunities are there, and we are up to the challenge. The Tornado spin out is an excellent example of an innovative way to unlock the intrinsic value of a business unit and allow it the opportunity to thrive as a standalone entity, while allowing Empire's shareholders the ability to continue to benefit as direct shareholders of that business.

We will continue to shelter Empire's profits from tax through the use of our Deferred Tax Assets. We expect our balance sheet to continue to strengthen throughout the year through our tax sheltered equity earnings.

We would like to welcome any new shareholders that have decided to join us on our mission and thank our "old" shareholders who have stuck with us patiently as the management, directors and employees guided us through the challenges and capitalized on the opportunities of the past few years. We are confident the future will be exciting and unfold as planned.

A handwritten signature in dark ink, appearing to read "Guy Nelson".

Guy Nelson
Executive Chairman and CEO

A handwritten signature in dark ink, appearing to read "Ian Macdonald".

Ian Macdonald
Non-executive Chairman of the Board



**Media Based Attractions
Manufactured Products
Steel Fabrication**



Media Based Attractions

(in 000's)	2015
Sales	102,961
Adjusted EBITDA	11,665
Adjusted EBIT	10,296

Applicable Subsidiaries & Divisions

- Dynamic Attractions Ltd.
- Dynamic Attractions Inc.
- Dynamic Structures
- Dynamic Optics Inc.
- QDS (45% equity investment)

Products and Services

- design and manufacture complex ride systems
- design and manufacture of observatory telescopes and telescope enclosures
- custom specialty engineered machinery and equipment
- Turnkey supplier of premium entertainment attractions
- parts and service of amusement park attractions



Proprietary Products

- Theatre Products
 - Flying Theatres: Entire theatres, typically in 84, 72, or 39 seat configurations, are rotated from horizontal into vertical positions, putting each rider directly in front of a panoramic screen that fills the field of vision. Additional synchronized motion and special effects give great flexibility to the story developers who make the movies for these theatres.
 - Immersive Transports: These train-car style attractions are surrounded on all sides by panoramic screens and audio-visual effects.
- Iconic Dark Rides
 - SFX Indoor Coasters: Technically advanced rollercoaster dark rides, combining media-based, special effects and audio and visual experiences with advanced proprietary coaster motion techniques, such as Tilt & Drop switches, Side Slides, Elevator Drops, Tumble Tables, etc.
 - Robotic Arm Dark Rides: Either track-mounted or stationary robot arms combined with media-based audio visual equipment and interactive options. These attractions allow for the greatest magnitude of movement for the story developers.
 - Trackless Ride Vehicles: These automatically guided vehicles are nimble, can move forward, sideways, and turn on a dime. Because they are trackless, the vehicles do not need to all follow the same path through the attraction, allowing riders to have a different experience each time they ride the attraction. Interactive options are available.
- Outdoor Coaster Products
 - Onboard Drive Racing Vehicle: This is a new genre of coaster products that varies from the existing “train” of vehicles with off-board drive systems.

Unlimited Attractions™

This newly launched service gives our customers a much broader range of the products and services (show elements) that transform a ride into a true media based attraction. These services include story concept, lighting, scenery, media, special effects, etc. The Unlimited Services are being targeted to differentiate our line-up of Iconic Dark Rides and Theatre Products.

Telescopes and other Specialty Engineered Products

This segment also includes the design and manufacture of observatory telescopes and telescope enclosures, as well as other custom specialty engineered machinery and equipment. Observatory telescopes and enclosures are very specialized work, and only a few are built every few years worldwide. Dynamic Structures has particular expertise in the field, having participated in the design/construction of half of the world’s largest observatory telescopes. We are investing research and development resources into groundbreaking new techniques for telescope mirror manufacturing and polishing technologies through our Dynamic Optics business unit.



Manufactured Products

(in 000's)	2015
Sales	20,177
Adjusted EBITDA	(126)
Adjusted EBIT	(454)

Applicable Subsidiaries & Divisions

- Petrofield Industries (Tornado Hydrovacs)

Empire is in the process of spinning out this segment into a new TSXV listed and traded company called Tornado Global Hydrovacs Ltd. We believe that the business has real prospects that will thrive better as a standalone company with its own capital structure and a \$10 million capital infusion from a strategic investor. Empire's shareholders will still have the ability to benefit from this opportunity through the common shares they receive from the spin-out transaction. Go to www.empind.com for more details on the transaction.

This segment designs, manufactures and sells truck-mounted hydrovac excavation equipment in North America. Hydrovacs use high pressure water to excavate, and then vacuum up the resulting mud into its tank. Hydrovac excavation is a valuable excavation technique, in large part because it can safely excavate around underground utilities such as gas lines without damaging them. As such, this equipment is frequently used in the oil and gas production industry, the pipeline industry, and by municipalities to safely expose underground utilities for repair.



Historically, the segment's primary market has been western Canada's oil and gas industries. Its flagship product is the Tornado F4, which is an industrial sized unit.

To mitigate against the economic fluctuation of the oil and gas industry, the segment has developed a smaller Tornado F2, which is more suitable for municipal markets. The municipal market provides a less volatile market for the hydrovac product, as demand for the hydrovac trucks is less sensitive to the price of oil. The segment has also increased its sales efforts in the United States, where the low Canadian dollar gives it a competitive cost advantage over US manufacturers.

Petrofield has developed proprietary technologies for its truck-mounted hydrovac equipment. It has applied for patent protection in Canada and the US for certain technological innovations. It is also developing new products based on the hydrovac technology, both truck-mounted and non truck-mounted.



Steel Fabrication Services

(in 000's)	2015
Sales	28,148
Adjusted EBITDA	(464)
Adjusted EBIT	(873)

Applicable Subsidiaries & Divisions

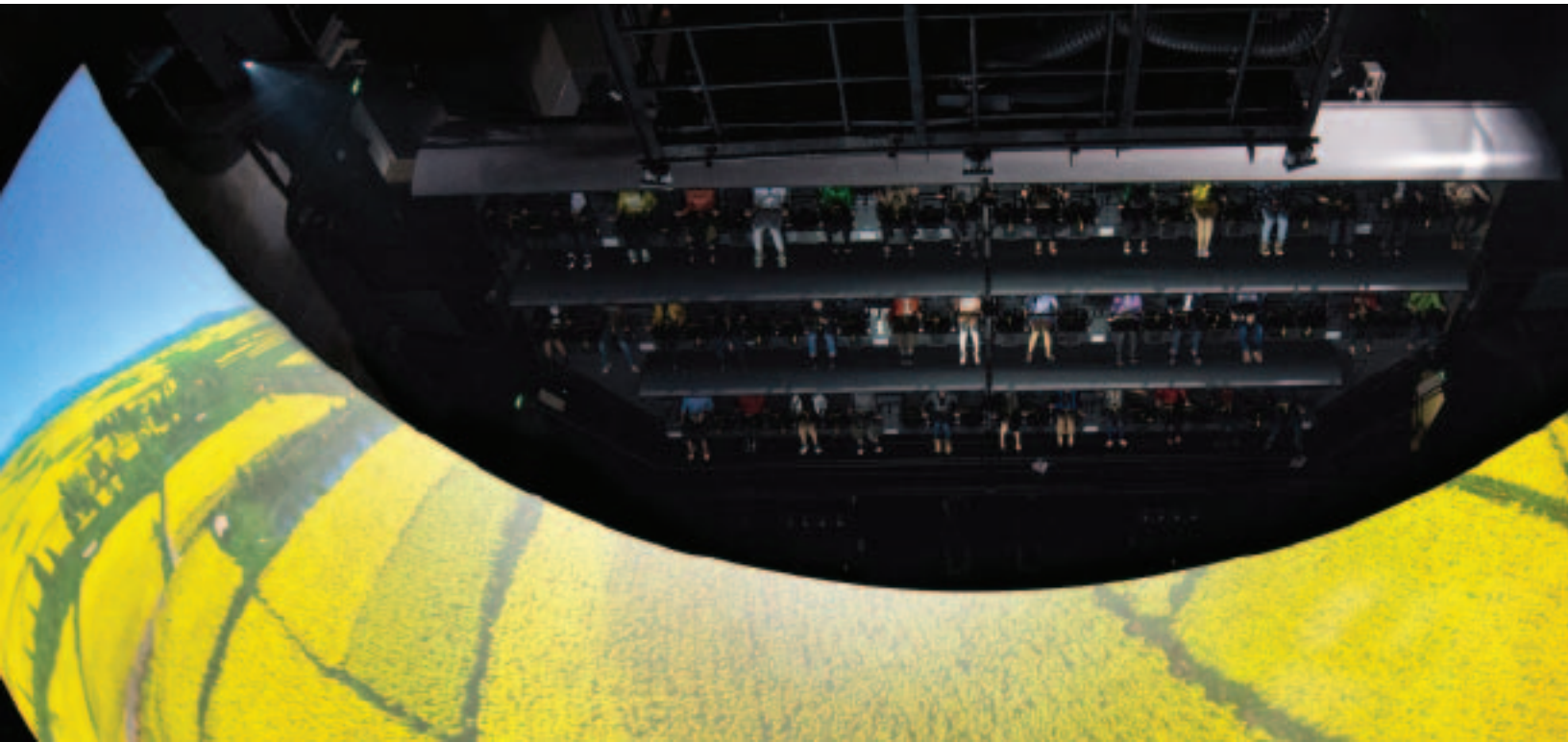
- Empire Iron Works
- Parr Metal Fabricators
- Athabasca Chipewyan Empire Industrial Services Ltd. (ACE) (49% equity investment)
- Qiguang Dongguan Dynamic Steel Structures Co. Ltd. (QDS) (45% equity investment)

This segment's main product offering is the fabrication and erection of industrial, commercial and infrastructure (ICI) structural steel. The steel in the industrial and infrastructure markets is heavier and more complex than the commercial market. The complexity of the products and services as well as the significant capital requirements are barriers to entry that reduce competition from smaller competitors. The segment also fabricates plate steel, pressure vessels, and tanks through its Parr Metal Fabricators division.

The segment has been developing a cost advantage over its competitors by seeking to import fabricated structural steel from China through Empire's joint venture, QDS. If successful, it is expected that Empire Iron Works may gain a pricing advantage which may increase its market share through more competitive pricing and lower costs, thereby improving its profitability.



Management's Discussion and Analysis



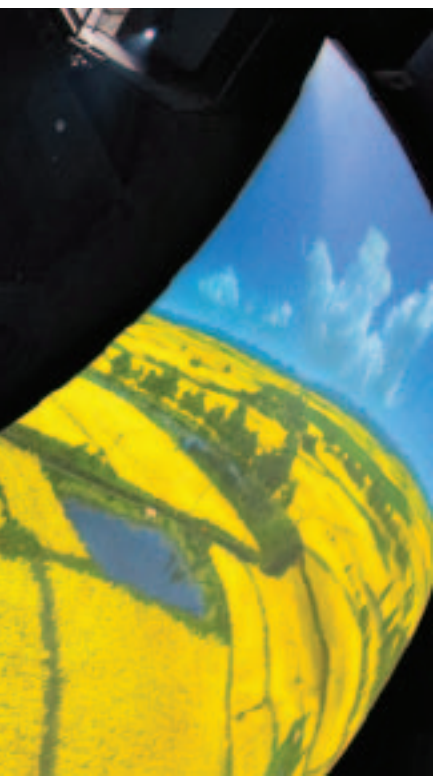
Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations of Empire Industries Ltd. ("EIL" or the "Group") is supplemental to, and should be read in conjunction with the audited consolidated financial statements for the fiscal year ended December 31, 2015.

The audited consolidated financial statements and accompanying notes of the Group for the year ended December 31, 2015 have been prepared in conformity with International Financial Reporting Standards ("IFRS") and require management to make estimates and assumptions that affect amounts reported and disclosed in such financial statements and related notes. Unless otherwise indicated, a reference to a year relates to the Group's fiscal year ended December 31. All amounts are reported in Canadian dollars unless specifically stated to the contrary. Financial information disclosed in this MD&A is presented in thousands (000's) with the exception of percentages and per share data.

The Board of Directors, on the recommendation of the Audit Committee, approved the contents of this MD&A on April 14, 2016. Disclosure contained in this document is current to this date, unless otherwise stated.

Additional information on EIL is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com



Business Description

The Group's operations take place primarily through the following wholly owned operating segments:

Operating Segment	Description
Media-based Attractions	Design and manufacture complex ride systems, telescopes and custom machinery and equipment. Turn key supplier of premium entertainment attractions and provider of parts and service of amusement park attractions. Leased production facilities in Port Coquitlam, BC. Leased sales offices in Orlando FL, Arlington TX and Toronto ON.
Manufactured Products	Manufactures Hydrovac trucks for excavation service providers to the oil and gas industry and the municipal market. Leased production facility is in Stettler, AB and a sales office located in Calgary, AB.
Steel Fabrication Services	Structural steel fabrication and installation. Fabrication of tanks, pressure vessels and other specialty carbon and stainless steel products. One owned production facility west of Edmonton, AB and a leased sales office in Edmonton AB as well as a leased production facility in Winnipeg, MB.
Corporate	Head office located in Winnipeg. Executive management, managerial and financial oversight, business development and compliance requirements for the overall organization.

In addition to these wholly owned operating segments, the Group holds significant equity interests in two major business enterprises both aligned with the Group's Steel Fabrication Services segment:

Enterprise	Business
Athabasca Chipewyan Empire (ACE) Industrial Services Ltd. (49%)	Steel fabrication and installation, machining, multi-trade industrial construction and maintenance services, primarily serving the oil sands market. Facilities are in Fort McMurray, AB. This is a strategic alliance between the ACDEN (formerly the Athabasca Chipewyan First Nation Business Group) and Empire Industries Ltd.
Dongguan Qiguang Dynamic Steel Structures, Ltd. (45%)	Fabrication and installation of complex structural steel projects in China through a Company owned 55% by Guangdong Qiguang Steel Structures Co. Ltd. and 45% by Empire Industries Ltd. The Company operates out of a leased facility in the Guangdong Province.

EIL maintains its head office in Winnipeg, Manitoba. The Group's common shares are listed on the TSX Venture Exchange under the trading symbol EIL.



Consolidated Financial Results

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2015	2014	Variance	2015	2014	Variance
Operating Results:						
Revenues	151,403	141,156	10,247	38,816	36,124	2,692
Adjusted gross margin	25,199	24,737	462	8,381	7,186	1,195
Adjusted gross margin %	16.64%	17.52%	(0.9%)	21.59%	19.89%	1.7%
Adjusted EBITDA	8,014	8,003	11	3,005	1,847	1,158
Adjusted EBITDA %	5.29%	5.67%	(0.4%)	7.74%	5.11%	2.6%
Adjusted EBIT	5,887	6,446	(559)	2,178	1,407	771
Adjusted EBIT %	3.89%	4.57%	(0.7%)	5.61%	3.89%	1.7%
Net Income	1,370	6,064	(4,694)	375	2,472	(2,097)
Per share data:						
Profit (loss) per share (Basic)	0.005	0.024	(0.019)	0.000	0.009	(0.009)
Profit (loss) per share (Diluted)	0.005	0.022	(0.017)	0.000	0.007	(0.007)

The Group's Adjusted Gross Margin decreased to 16.64% in 2015 from 17.52% in 2014. The Group's decline in adjusted gross margin was driven by continued improved performance of its Media-based Attraction segment which was positively impacted the strengthening US dollar. This increase was offset by declines experienced in the Steel Fabrication and Manufactured Products segments. Declines in overall volumes and operating performance were experienced in these two segments were a direct result of the significant slowdown experienced in the Western Canadian economy in 2015.



The Group's Adjusted EBITDA remained consistent at \$8.0 million in 2015 as compared to \$8.0 million in 2014. There was a \$5.2 million improvement in the Media-based Attractions segment's Adjusted EBITDA from \$6.4 million in 2014 to 11.7 million in 2015. This significant improvement was offset by an Adjusted EBITDA of \$4.0 million in 2014 compared to a loss of \$0.6 million for the Steel Fabrication and Manufactured Products segments in 2015.

Net income decreased by 77% to \$1.4 million in 2015 from \$6.1 million in 2014. This decrease in Net Income was driven largely by Income tax expenses of \$0.8 incurred in 2015, compared to income tax recoveries of \$2.3 million incurred in 2014 and an increase of the Unrealized loss on derivative financial instruments from 1.2 million in 2014 to 2.1 million in 2015. The deferred tax recoveries realized in 2014 were a one-time gain, associated with recognizing previously unrecognized deferred tax assets. Management records deferred tax assets when it concludes that there is a probable expectation of utilization.

4Q15 Overview

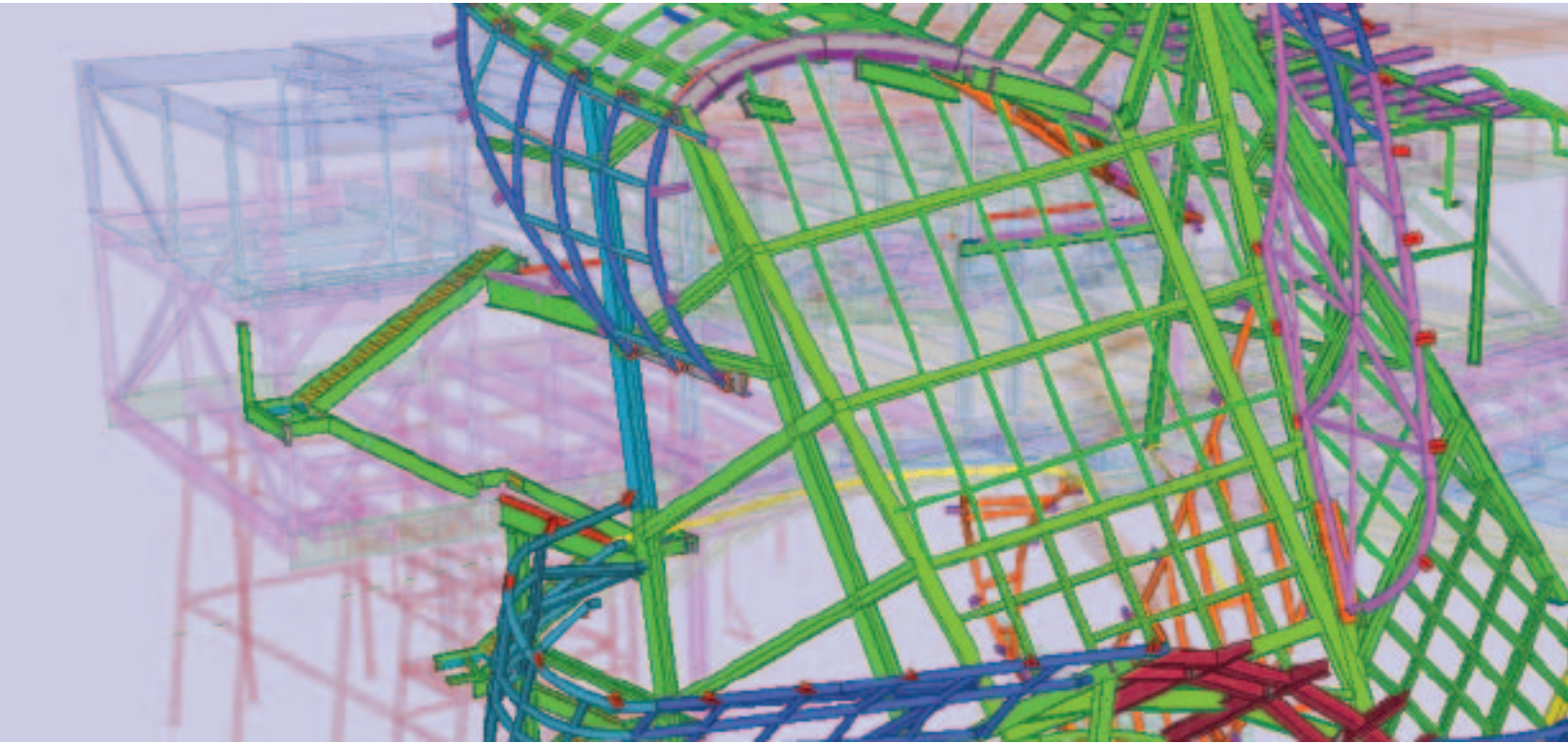
The quarter ended December 31, 2015 was a strong quarter with revenue growth of 7.5% over the same period in 2014. Consistent with the discussion for 2015 as a whole, the drivers behind the revenue increases in 4Q15 were from the Group's Media-based Attractions segment (up 83%), offset by revenue declines in the Manufactured Products (down 45%) and Steel Fabrication operating segments (down 59%).

The Group's Adjusted Gross Margin increased to 21.6% in 4Q15 compared to 19.89% in 4Q14. The Adjusted Gross Margin increase in the quarter was driven due to the Group's Media-based Attractions segment accounting for 75% of the volume in the fourth quarter of 2015 compared to 44% of the volume in the fourth quarter of 2014.

The Group's Adjusted EBITDA increased by 63% to \$3.0 million as compared to \$1.8 million in the same period in 2014, again, entirely because of the strength of the Media-based Attractions segment more than offsetting the decline in the other two segments (see the segmented discussion for the details). Net income was down 85% in the quarter compared to previous year, impacted by income tax expenses in 2015 compared to \$2.3 million in deferred tax recoveries realized in 2014 associated with recognizing previously unrecognized deferred tax assets. Management records deferred tax assets when it concludes that there is a probable expectation of utilization.

Significant Events

- On March 2, 2015 and March 4, 2015, the Group announced the award of 3 contracts totaling \$66 million USD. Two contracts totaling \$42 million have been awarded for two of the Group's proprietary Media-based Attractions from a major theme park in South Asia. The third award totaling \$24 million USD to supply one of its proprietary robotic track rides to a major theme park in the United Arab Emirates. These contracts will be executed over 36 months from time of contract execution.
- On May 20, the Group's Dynamic Attractions business unit announced it has been awarded a contract valued in excess of US \$24 million to supply one of its proprietary attractions to a major theme park in South Asia. This contract award comes from the same client that purchased two other attractions which were announced by Empire on March 4, 2015. These contracts will largely be executed over 36 months from the time of contract execution.
- On June 30, the Minister of Industry for Canada announced that the Group's Dynamic Structures business unit will receive up to \$70 million to build the precision-steel enclosure of the Thirty Meter Telescope (TMT), the world's largest earth-based telescope, which Canada has agreed to provide as an in-kind contribution towards its share of the TMT.



- On September 23, the Group's shareholders granted authority to proceed with a share consolidation of up to 10 pre-consolidation shares for 1 post-consolidation share, at the discretion of the Board. This resolution was passed with 98.85% of votes cast in favor at the Group's Annual General and Special Meeting of Shareholders. The Board has indicated that they will exercise their best judgement in determining when or whether to proceed with the stock consolidation, and that they will only proceed to implement such a consolidation if the conditions are right.

Subsequent Significant Events

- On February 1, 2016, the Group announced its proposal to spin out its hydrovac business (the Manufactured Products segment) into a separate publicly traded company on the TSX Venture Exchange. Empire shareholders will own 54.5% and a Chinese partner would own the remaining 45.5%. When all of the transactions associated with the proposal are completed, the spin out company will have approximately \$10 million of cash and approximately \$6 million of operating assets. Empire also announced that the new spinout company closed a private placement of subscription receipts for gross proceeds of approximately \$5 million.
- On February 18, 2016, the Group announced that it has engaged Oak Hill Advisors Inc. to provide investor relations services. The objective of the services is to assist the Group in developing and executing a comprehensive corporate communications strategy, informing market participants regarding Empire's business results, growth strategy, strategic transactions and new contracts as they arise.
- On March 1, 2016, the Group announced that the hydrovac spin out company, which is now named Tornado Global Hydrovacs Inc., closed a second private placement of approximately \$2.5 million of subscription receipts as part of the previously announced spin out transaction.

Selected Annual and Quarterly Financial Information

Annual Financial Information

For the years ended	2016	2014	2013
Sales	151,403	141,156	117,795
Profit (loss)	1,370	6,064	4,419
Profit (loss) per share:			
Basic	0.005	0.024	0.020
Diluted	0.005	0.022	0.020
Total Assets	80,140	68,296	52,321
Total long-term financial liabilities	2,972	4,001	4,594
Cash dividends declared per common share	-	-	-

Quarterly Financial Information

For the years ended	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1
Sales	38,816	42,081	37,297	33,209	36,124	36,522	34,912	33,598
Adjusted EBITDA	3,005	2,012	1,485	1,512	1,847	2,263	1,523	2,370
Profit (loss)	375	990	890	(885)	2,472	732	1,649	1,211
Profit (loss) per share								
Basic	0.001	0.004	0.003	(0.003)	0.009	0.005	0.005	0.005
Diluted	0.001	0.004	0.003	(0.003)	0.007	0.005	0.005	0.005

Liquidity and Capital Resources

Liquidity

For the year ended December 31, 2015, the Group's continuing operations generated \$5.0 million of cash, compared with \$5.1 million of cash in 2014 excluding the impact of changes in non-cash working capital amounts. The Group expects that its operations will generate sufficient cash on a go forward basis to meet the Group's obligations.

The Group has a \$15.0 million revolving credit facility with CIBC, of which \$6.4 million was drawn as of December 31, 2015. The Group's marginable assets at December 31, 2015 were \$23 million, which is \$16.6 million in excess of the Group's total draw on the operating line.

The Group made \$0.9 million of cash principal repayments during the year. Total long-term debt of \$4.5 million as at December 31, 2015 consisted of \$2.1 million of term debt with CIBC, \$0.4 million under finance leases, \$1.0 million of a limited recourse loan and \$1.0 million of subordinated convertible debentures.

Fully Diluted Shares

As at April 14, 2016

Issued and outstanding common shares	259,336,473
Securities convertible into common shares	
Convertible Debentures	4,500,000
Warrants	27,700,000
Stock Options	22,720,000
Total Securities convertible into common shares	54,920,000
Fully Diluted Shares	314,256,473



Financial Ratios

The following information is based on the data disclosed in Note 24 (Capital Disclosures and Management) from the 2015 Financial Statements:

For the periods ended	Dec 31, 2015	Dec 31, 2014
Current portion of long-term debt	970	893
Long-term debt	1,561	2,223
Long-term funded debt	2,531	3,116
Shareholders' equity	23,660	21,996
Convertible debentures	951	953
Limited recourse loan and subordinate note payable	984	825
Less: deferred tax assets	(5,829)	(5,023)
Less: intangible assets	(4,444)	(1,983)
Tangible net worth	15,322	16,768
Capitalization	17,853	19,884
Long-term funded debt : Capitalization	14.2%	15.7%

The Group's leverage ratio decreased to 14.4% from 15.7% at December 31, 2014.

The Group's current ratio (when deducting the fair value of financial instruments) of 1.07 is reduced from the December 31, 2014 ratio of 1.19 due to higher working capital volumes.

Segment Performance

The Group's operations consist of four separately identifiable segments, Media-based Attraction, Manufactured Products, Steel Fabrication Services and Corporate. The performance of the groups operating segments are listed below:



Media-Based Attractions

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2015	2014	Variance	2015	2014	Variance
Operating Results:						
Revenues	102,961	67,754	35,207	29,297	16,026	13,271
Adjusted gross margin	19,714	13,711	6,003	7,354	5,413	1,941
Adjusted gross margin %	19.1%	20.2%	(1.1%)	25.1%	33.8%	(8.7%)
Adjusted EBITDA	11,665	6,437	5,228	4,537	2,669	1,868
Adjusted EBITDA %	11.3%	9.5%	1.8%	15.5%	16.7%	(1.2%)
Adjusted EBIT	10,296	5,524	4,772	4,051	2,400	1,651
Adjusted EBIT %	10.0%	8.2%	1.8%	13.8%	15.0%	(1.2%)

2015 Overview

Over the past four years, The Group has invested heavily in creating and designing its own line of proprietary media-based attractions to complement its historical business that was providing complex engineering, design and manufacturing solutions to some of the world's largest theme park customers. The Group has demonstrated the success of its development of its own proprietary product line through numerous contract awards during this time. In 2015, the Group was executing numerous contracts for its own proprietary products as well as traditional work for the world's largest theme park owners.

Revenues for the operating segment increased by 52% to \$103.0 million in 2015. The increase in revenues was due largely to projects that were in the engineering stage in 2014 reaching the production stage in 2015.

The segment's Adjusted Gross Margin decreased by 1.1% to 19.1% in 2015. The significant growth experienced by the segment is due to evolving into a more integrated, turn-key provider to its customers, a result of which increases the use of subcontract firms providing products and services. The increased use of subcontractors, while necessary in order to achieve the growth in integrated product deliveries, inherently, results in a lower return on total revenue.

Selling and administrative expenses increased by \$0.8 million over 2014. This increase in selling, general and administrative expenses was in part to address the growth in revenues during 2015 but also was to address the future operating plans of the Media-based Attractions segment. The segment opened two new office locations during 2015, one in Port Coquitlam and the other in Orlando Florida. The segment has also invested in expanding the services it provides to its customers and has recently established a creative services component to differentiate even further the segment's proprietary product line.

Adjusted EBITDA increased by \$5.2 million as a result of the factors discussed above. Adjusted EBIT increased \$4.8 million over 2014 as a result of the factors discussed above.

4Q15 Overview

The results for 4Q15 are very strong in comparison the same period of 2014. In large part, the increase is due to 83% increase in revenue executed in 4Q15 as opposed to 4Q14. In addition to that 4Q15 accounts for 39% of the total annual Adjusted EBITDA. The nature of the work performed by the segment and its percentage of completion accounting policy regarding revenue recognition make the quarterly results fluctuate as milestones are achieved on specific projects.



Manufactured Products

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2015	2014	Variance	2015	2014	Variance
Operating Results:						
Revenues	20,177	35,674	(15,497)	5,151	9,398	(4,247)
Adjusted gross margin	2,236	6,098	(3,862)	475	1,358	(883)
Adjusted gross margin %	11.1%	17.1%	(6.0%)	9.2%	14.4%	(5.2%)
Adjusted EBITDA	(126)	3,407	(3,533)	4	609	(605)
Adjusted EBITDA %	(0.6%)	9.6%	(10.2%)	0.1%	6.5%	(6.4%)
Adjusted EBIT	(454)	3,165	(3,619)	(190)	556	(746)
Adjusted EBIT %	(2.3%)	8.9%	(11.2%)	(3.7%)	5.9%	(9.6%)

2015 Overview

Revenues for the segment decreased 43% over 2014 to \$20.2 million in 2015. The decrease in revenue was attributed to the significant drop in demand for Hydrovac trucks caused by low oil prices and the corresponding reduction in oil production and associated capital expenditures.

Adjusted Gross Margin percentage declined 6.0% compared to 2014. This decrease was driven by price pressures arising from the drop in overall demand for Hydrovac trucks and less cost efficiencies at lower production volumes. It is important to observe that significant operating cost reductions were put into effect early in the year in anticipation of ongoing reductions expected in truck sales. These proactive steps helped to keep the segment operating at approximately a cash flow break-even, in spite of the precipitous reduction in revenue.



Selling and administrative expenses decreased by \$0.3 million compared to 2014 as the Group reduced expenditures where possible in response to the demand reduction. Adjusted EBITDA decreased by \$3.5 million as a result of factors discussed above. The segment's depreciation expense was \$0.1 million higher than the prior year and thus the decrease in Adjusted EBIT of \$3.6 million is also explained by the factors outlined above.

4Q15 Overview

Revenues and gross margins in the fourth quarter continued to suffer from the same slow demand and resulting price pressures discussed above. Revenues declined by 45% to \$5.2 million in 4Q15 as compared to the same period in the prior year. Adjusted Gross Margin declined by 5.2% to 9.2% in 4Q15 as compared to the same period in the prior year.

Selling and administrative expenses reduced by \$0.3 million compared to the same period in 2014 as expense reduction measures implemented were fully realized in the quarter.

Notwithstanding these pressures, the segment was able to break even at the Adjusted EBITDA level in the fourth quarter as the full effect of cost reduction initiatives undertaken throughout the year came to fruition.

Steel Fabrication

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2015	2014	Variance	2015	2014	Variance
Operating Results:						
Revenues	28,148	37,475	(9,327)	4,249	10,561	(6,312)
Adjusted gross margin	3,132	4,677	(1,545)	433	278	155
Adjusted gross margin %	11.1%	12.5%	(1.4%)	10.2%	2.6%	7.6%
Adjusted EBITDA	(464)	600	(1,064)	(567)	(752)	185
Adjusted EBITDA %	(1.6%)	1.6%	(3.2%)	(13.3%)	(7.1%)	(6.2%)
Adjusted EBIT	(873)	219	(1,092)	(693)	(849)	156
Adjusted EBIT %	(3.1%)	0.6%	-3.7%	(16.3%)	(8.0%)	(8.3%)

2015 Overview

Revenues for 2015 decreased by 25% to \$28.1 million compared to \$37.5 million in 2014. The decrease in revenue was attributed to the significant drop in demand for steel fabrication services in western Canada, caused by low oil prices and the corresponding reduction in capital expenditures.

Adjusted Gross Margins decreased by 1.4% to 11.1% in 2015. This decrease was driven by price pressures arising from the drop in overall demand for structural steel fabrication in western Canada. In addition, the reduction in volume in 2015 impacted the segment's ability to absorb its fixed production costs.

Selling and administrative expenses decreased by \$0.5 million in 2015 which is approximately a 12% decrease over 2014. This was a direct result of expense reductions necessary in light of the reduced volume and performance of the segment as compared to 2014.

Adjusted EBITDA decreased by \$1.1 million to an Adjusted EBITDA loss of \$0.5 million compared to Adjusted EBITDA of \$0.6 million in 2014. Even factoring in the current economic circumstances in western Canada, the profit performance of this segment remains unacceptably low. Management continues to work towards improving the segment's execution capability and reduce its cost of production in an effort to realize improved profitability in the future.

Depreciation expense was consistent with the previous year that accounts for the decrease in Adjusted EBIT being consistent with decrease in Adjusted EBITDA compared to 2014.



4Q15 Overview

Revenues decreased by 60% to \$4.2 million in 4Q15 as compared to the same period in 2014. This is largely driven by the demand factors described above and that the same period of 2014 was much higher than normal. The nature of the work performed by the segment and its percentage of completion accounting policy regarding revenue recognition make the quarterly results susceptible to fluctuations as individual milestones are achieved on specific projects.

Adjusted Gross Margins increased by 7.6% to 10.2% in 4Q15. Notwithstanding the percentage increase, this represents an unacceptably low level of Adjusted Gross Margin in terms of real dollars, and is below the annual Adjusted Gross Margin for the segment. It shows as an increase from the comparative period because the segment began to experience some challenges on certain elements of their contracts in the comparative period, requiring its margin projections at completion to be reduced. Those issues no longer have a material effect of the 4Q15 results.

Selling and administrative expenses in 4Q15 were consistent with the same period of the 2014.

Adjusted EBITDA and Adjusted EBIT increased by approximately 25% and 18% respectively as a result of the factors outlined above with depreciation expense remaining consistent with the prior period. Again, the appearance of improvement was driven by a poor comparative period, rather than by acceptable performance in the current period.



Corporate (non-operating)

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2015	2014	Variance	2015	2014	Variance
Operating Results:						
Revenues	117	253	(136)	119	139	(20)
Adjusted gross margin	117	251	(134)	119	137	(18)
Adjusted EBITDA	(3,061)	(2,441)	(620)	(969)	(679)	(290)
Adjusted EBIT	(3,082)	(2,462)	(620)	(990)	(700)	(290)

2015 Overview

Revenues for the corporate non-operating segment are not material and represent management fees and interest income earned from the Group's associate investments.

Selling and administrative expenses increased by \$0.5 million in 2015 which is approximately a 18% increase over the prior year. Selling and administrative expenses are impacted largely by the strategic direction of the Group which is influenced by a number of strategic initiatives and growth opportunities it is pursuing in a given period.

Adjusted EBITDA and Adjusted EBIT decreased by \$0.6 million which was largely attributable to the increase in selling and administrative expenses over 2014.

4Q15 Overview

Revenues and Adjusted Gross Margin decreased by an immaterial amount over the same period in 2014. Selling and administrative expenses increased by \$0.3 million compared to same period in 2014 which directly caused the Adjusted EBITDA and Adjusted EBIT to decrease by \$0.3 million. The strategic direction of the Group continued to be influenced by a number of strategic initiatives and growth opportunities it is pursuing in a given period that have temporarily increased the segment's operating costs.

Other Matters

Critical Accounting Estimates

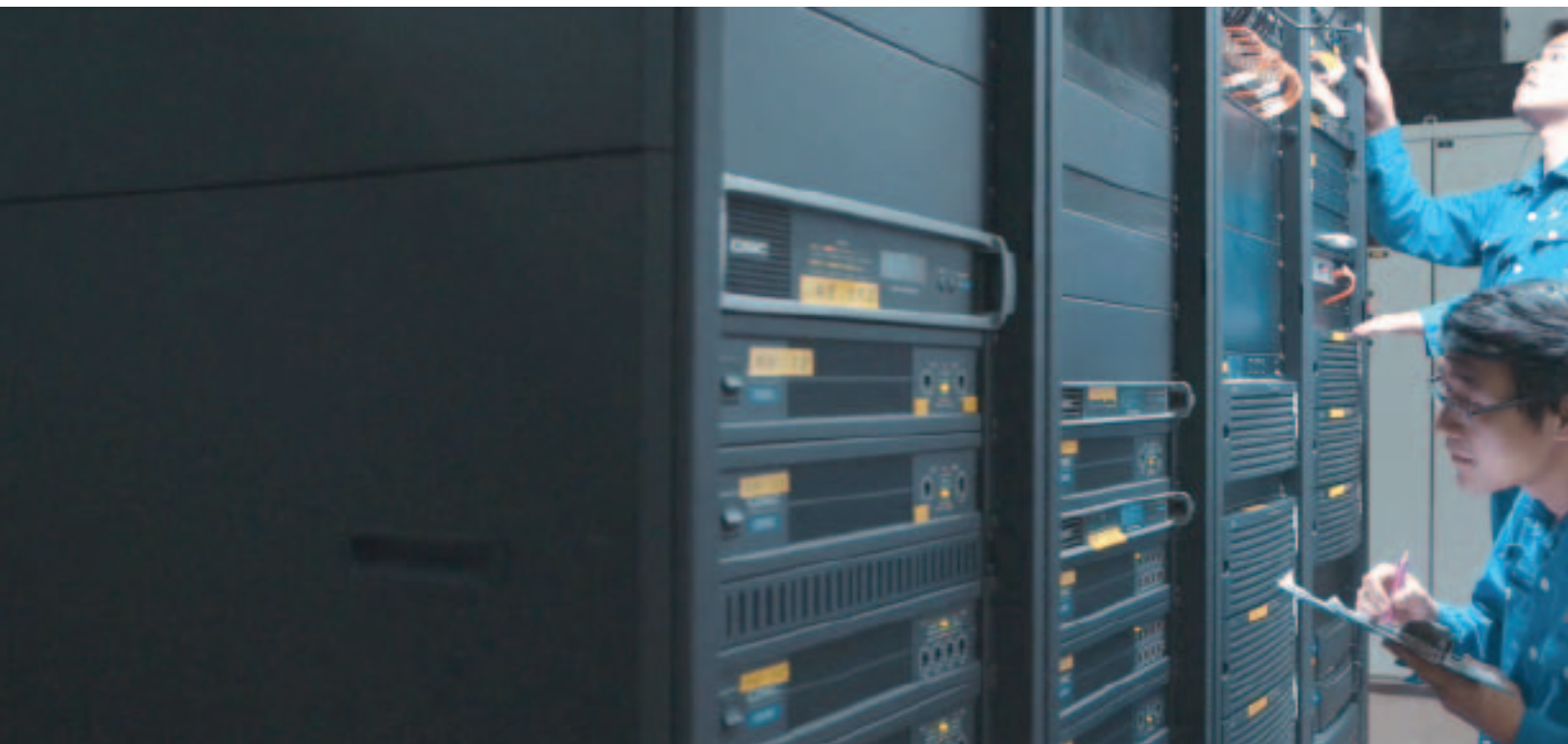
The preparation of financial statements in accordance with IFRS necessitates the use of management estimates, assumptions and judgment that affect reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Although management reviews its estimates on an ongoing basis, actual results may differ from these estimates as confirming events occur. The following components of the financial statements depend most heavily on such management estimates, assumptions and judgment, any changes in which may have a material impact on the Group's financial condition or results of operations. For more information about certain assumptions and risks that may affect these estimates, assumptions and judgments, please see the "Forward Looking Information" section of this MD&A.

Revenue Recognition

The percentage of completion method and the revenue to be recognized are determined on the basis of estimates for which the Group has implemented an internal financial budgeting and reporting system which relies on historical experience. The Group reviews the estimates of contract revenue and contract costs as of each reporting date. Contract losses are recognized as soon as they are identified.

Cash generating units

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Management determines which groups of assets are capable of generating cash inflows that are largely independent of other operations within the Group.



Allowance for doubtful accounts

Given the nature of business and the credit terms provided to customers, estimates and judgements are inherent in the on-going assessment of the recoverability of some accounts receivable. The Group maintains an allowance for doubtful accounts to reflect expected credit losses. The Group is not able to predict changes in the financial conditions of its customers and the Group's judgement related to the recoverability of accounts receivable may be materially impacted if the financial condition of the Group's customers deteriorates.

Valuation of inventory

Estimates and judgements are inherent in the determination of the net realizable value of inventories. The cost of inventories may not be fully recoverable if they are damaged or if the selling price of the inventory is less than its cost. The Group regularly reviews its inventory quantities and reduces the cost attributed to inventory no longer deemed to be fully recoverable. Estimates related to the determination of net realizable value may be impacted by a number of factors including market conditions.

Share-based payments

The Group measures the cost of share-based payments to employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Valuation of Long-lived Assets and Asset Impairment

The Group periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as business and market trends, future prospects, current market value and other economic factors. In performing its



review of recoverability, management estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying value of the asset, an impairment loss would be recognized based on the excess of the carrying value of the asset over the fair market value calculated using discounted future cash flows.

Useful lives of key property, plant and equipment investment property and intangible assets

The depreciation method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Group. Useful lives, depreciation methods, and residual values are reviewed periodically and, historically, changes to estimates of remaining useful lives have not been material.

Deferred Income Taxes

The Group accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on deductible or taxable temporary differences between the carrying amounts and tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured using substantially enacted tax rates expected to apply in the years in which the temporary differences are expected to reverse. If the estimates and assumptions are modified in the future, the Group may be required to reduce or increase the value of deferred tax assets or liabilities resulting in, where applicable, an income tax expense or recovery. The Group regularly evaluates deferred tax assets and liabilities.

Investment tax credits

Federal and provincial investment tax credits are accounted for as a reduction to the corresponding expenditures in the period in which the credits are earned and when there is reasonable assurance that the credits can be used to recover taxes.

Risks and Uncertainties

Operating Results

EIL's mix of businesses typically require significant financial resources, and there is no assurance that future revenues will be sufficient to generate the funds required to continue EIL's business development and marketing activities. In certain markets, the Company competes with local, regional, national and international companies for work. With the experience of the Company's operating subsidiaries, management believes it has developed systems, policies, and procedures to mitigate this risk.

Design Risk

As the Media Based Attractions segment is on the cutting edge of attraction design, there is the risk that new attractions will not perform as designed. This may result in significant costs to re-design and modify attractions after they have been manufactured and installed to bring them into conformity with contractual performance specifications, or it may result in contractual penalties including rejection of the attraction by the customer. The Company mitigates against these risks by ensuring it has multiple technical solutions to cutting edge engineering issues, so if the preferred solution does not function as intended, there are still alternatives.

Project Performance

Most of EIL's sales contracts are fixed-price contracts, often resulting from competitive bids. When bidding on a project, the Group estimates its costs, including projected increases in the costs of labour, materials and services.

Despite these estimates, actual costs could vary from the estimated amounts. These variations could adversely affect the Group's business. Any inability of the Group's subsidiaries to execute customer projects in accordance with requirements, including adherence to completion timetables, may have a material adverse effect on the Group's business, operations and prospects.



The Group recognizes revenue using the percentage of completion accounting method, based on costs incurred as compared to projected costs. Estimated losses on contracts are immediately recognized. Revenue estimates are based on management assumptions supported by historical experience. There can be no assurance that these estimates made during the contract execution phase will not vary from the actual results measured at the completion of the contract.

Cost of Raw Materials and Components

The principal cost of raw material is structural steel and other steel products. These supply and pricing arrangements are negotiated directly with steel manufacturers or steel supply companies that buy and warehouse steel products. Where appropriate, the Group will endeavor to include an escalation clause for material costs in jobs being tendered in the industrial, commercial and institutional sector in each contract. In the absence of an escalation clause, the Group mitigates its risk, to the extent possible, through contracted buying arrangements or limitations on the length of time that bids can remain outstanding prior to acceptance. In the circumstance of volatility in the commodity price of steel, unexpected increases in steel prices which are not hedged by escalation clauses or similar means, may negatively impact margins on a particular job and therefore the company's future results of operations or financial position.

Other significant components include audio visual equipment such as screens and projectors, motion control equipment and software, robot arm equipment, launch equipment. The Company mitigates the risk of cost escalation in these components by means of long term strategic alliances with suppliers, by procurement policies and procedures designed to ensure that there are multiple suppliers available and that specific components are contracted for on a fixed price basis. However, the cutting edge nature of the work being undertaken in the Media Based Attractions segment means that there is still risk that the components will ultimately cost more than originally estimated on any particular project.



Liquidity Requirements

The Group requires significant amounts of working capital in order to be able to operate. The Company's contracts are primarily based upon firm prices and billing is generally performed on a milestone basis. Projects often involve changes or requests for extra work and although the Group endeavors to bill promptly for this extra work, any delay in issuing change orders can impact cash flows. Contracts typically allow for the customer to withhold between five and ten percent of the Group's total billings until the completion of the project. As a consequence, larger and longer-term projects can greatly increase capitalization requirements for working capital.

The Group's ability to obtain additional capital is a significant factor in achieving its strategy of expansion in the construction industry. There can be no assurance that the current working capital of the Group will be sufficient to enable it to implement all of its objectives. Furthermore, the current state of the world's financial markets may limit the Group's ability to access credit in the event that it identifies a potential acquisition or some other business opportunity that would require a significant investment in resources. There can be no assurance that if and when EIL seeks equity or debt financing, it will be able to obtain the required funding on favourable commercial terms, or at all. Any such future financing may also result in additional dilution to existing shareholders.

EIL requires sufficient financing to fund its operations. Failure to obtain financing on a timely basis could cause missed acquisition opportunities, delays in expansion and may also impact ongoing operations.

Foreign Exchange Risk

Rapid currency fluctuations can have a significant impact on un-hedged non-Canadian dollar denominated projects. The Media Based Attractions segment in particular sells in foreign currency, mostly US dollars. Similarly, many of the raw material and component inputs are purchased in US dollars. Where possible, the net exposure from these projects have been hedged with forward contracts to sell US dollars.

Global Economic Environment

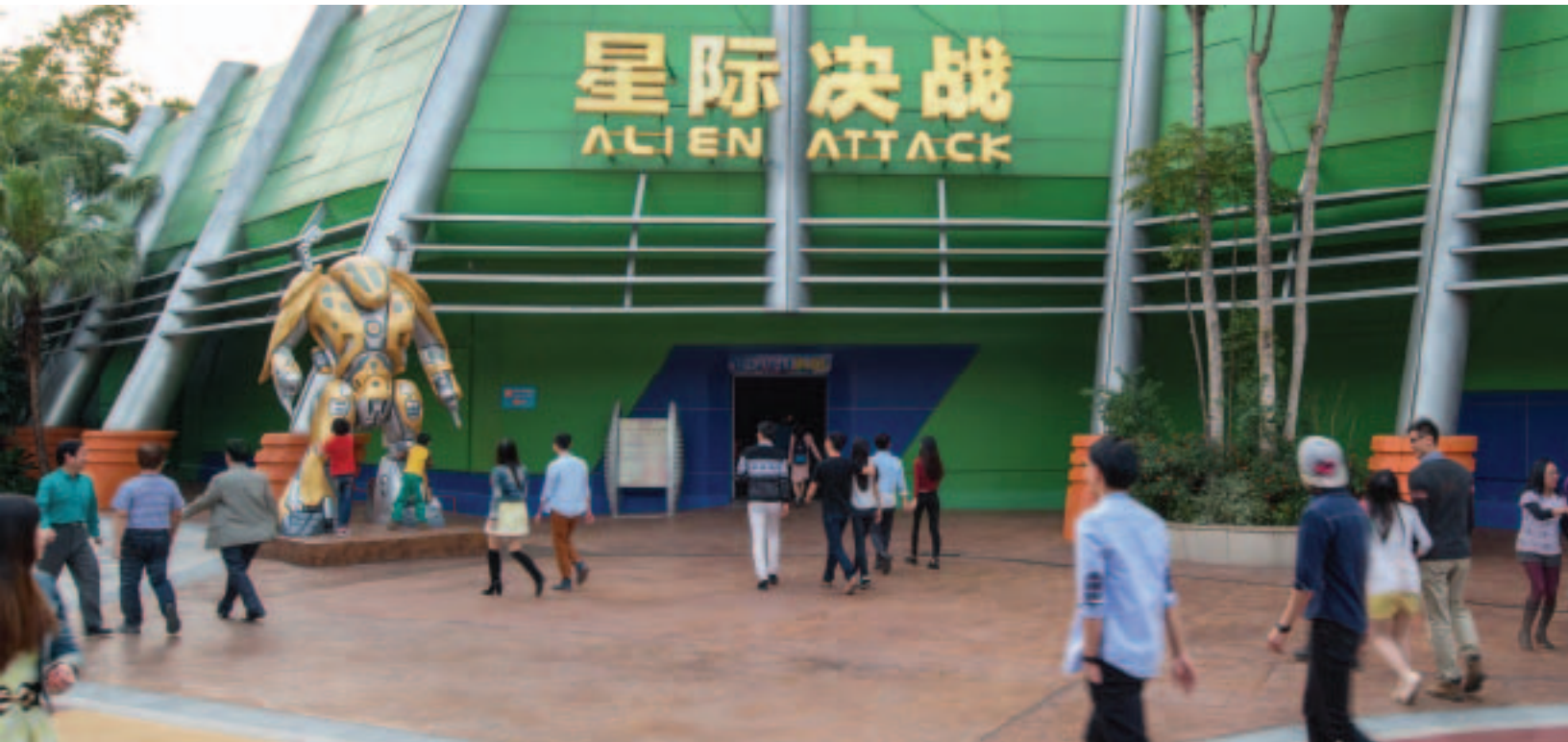
The current economic downturn has demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, events seemingly unrelated to the Group may adversely affect the Group over the course of time. For example, a credit contraction in financial markets, combined with reduced economic activity, may adversely affect theme park operators, developers, general contractors, and other businesses that collectively constitute a significant portion of the Group's customer base. As a result, these customers may need to reduce their purchases of the Group's products or services, or the Group may experience greater difficulty in receiving payment for the products or services that these customers purchase from the Group. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Group's business, operating results, and financial condition.

Credit Risk

Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their commitments to the Group. Notwithstanding the Group's current credit policies and practices, there can be no assurance that customers will remain able to fulfill their commitments to the Group which may have an adverse effect on the Group's financial performance.

Bonding Capacity

Some customers require performance bonds underwritten by insurance providers, or irrevocable letters of credit as a condition of contract award. However, there can be no assurance that the Group will be able to obtain such bonds or letters of credit in the quantity required to maintain or increase its level of activity.



Reliance on Key Personnel

The business activities of the Group involve a certain degree of risk that even a combination of experience, knowledge and diligence may not be able to overcome. Shareholders must rely on the ability, expertise, judgment, direction and integrity of the management of EIL. Success will be dependent on the services of a number of key personnel, including its executive officers and other key employees, the loss of any one of whom could have an adverse effect on its operations and business prospects. The Group feels that by being a publicly traded company it will have more flexibility than its private competitors to implement attractive incentive plans for key employees to attract and retain the necessary employees.

Competitive Market

The Group's approach to competitive risk is to develop strong relationships with clients, increase the breadth of services offered and to broaden our geographic coverage to enhance service and competitiveness.

Due to the competitive nature of the business, the Group must compete on price and quality of service. A significant portion of the Group's business is to provide a contracted scope of work to clients on a fixed price or unit price basis. There can be no assurance that the fixed price commitment adequately recovers the full cost of providing the contracted scope of work. Nor can there be any assurance that the contracted scope of work is so clear as to prevent disagreements over the interpretation of what has been contracted for. Management is of the view that the Group's experience in the industry provides it with the necessary expertise to resolve disputes that may arise in a manner that is satisfactory to the Group's overall requirements.

Interest Rate Risk

Fluctuations in interest rates will affect that portion of the Group's debt that is subject to variable interest rates, and will also affect the prices for other financial instruments. Such fluctuations could have an adverse effect on the Group's financial performance.



Non-residential Construction Activity in Western Canada

Particularly in the Steel Fabrication and Manufactured Products segments, the demand for the Group's products and services tends to fluctuate directly with non-residential construction activity in Western Canada. A decline in the demand for these products and services can occur if deteriorating economic conditions reduce non-residential capital expenditures which would have an adverse effect on the EIL's business, results of operations, and financial condition.

EIL's business in these segments is primarily influenced by the overall level of capital spending in the mining and oil and gas industries in Western Canada. Lower commodity prices results in lower corporate profits which provides less available funds for spending on capital projects. The Group's activity level is therefore dependent on oil and gas prices and commodity prices.

Labour Relations

The employment of skilled tradespersons in the field and shops is subject to multi-year, collective agreements with a variety of unions. The increasing shortage of skilled tradespersons is increasing the wage expectations and concessions of all fabricators and manufacturers, especially those companies that provide their services closest to the active markets, such as Alberta. The Group has three non-union shops, and two unionized shops that are subject to their own collective agreements and several different collective agreements relating to the field erection business. EIL is at risk if there are labour disruptions relating to any of these collective agreements.

Management feels the staggered expiration dates and independence of each collective agreement mitigates the issue of work stoppage that may arise at any one location.

Acquisitions

The Group may seek to expand its business through acquisitions and may divest underperforming or non-core businesses. Empire's success depends, in part, upon management's ability to identify such acquisition and divestiture opportunities and to negotiate favourable contractual terms. The Group's ability to successfully integrate acquisitions into its operations could affect Empire's financial results.

EIL assesses the "labour/capital" trade-off that is associated with the increased usage of software to enhance employee productivity and increase profitability. Management has historically invested in prudent capital expenditures designed to mitigate the increasing cost of labour and the historically tight supply of skilled tradespersons. To the extent that the Group is unable to continue to invest in technological advancements designed to enhance its competitive cost structure, it may have an adverse effect on the Company's operations.

Environment/Regulatory

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. No assurance can be given that environmental laws will not result in an increase in the costs of the Group's activities or otherwise adversely affect the Group's financial condition, results of operations or prospects.

EIL maintains insurance consistent with industry practice to protect against losses due to sudden and accidental environmental contamination, accidental destruction of assets, and other operating accidents or disruption. The Group also has operational and emergency response procedures, and safety and environmental programs in place to reduce potential loss exposure. EIL believes that it is in substantial compliance, in all material respects, with all current environmental legislation and is taking such steps as it believes are prudent to ensure that compliance will be maintained.



Forward Looking Information

This MD&A contains certain “forward-looking statements.” All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding financial and business prospects and financial outlook) are forward looking statements. These forward-looking statements reflect the current expectations or beliefs of the Group, based on information currently available to the Group. Forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results of the Group to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Group. Factors that could cause actual results or events to differ materially from current expectations include, among other things, changes in general economic and market conditions, changes to regulations affecting the Group’s activities, and uncertainties relating to the availability and costs of financing needed in the future. Any forward-looking statement speaks only as at the date on which it is made and, except as may be required by applicable securities laws, the Group disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise.

Although the Group believes that the assumptions inherent in the forward-looking statements are reasonable, forward looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to the inherent uncertainty therein.

Outlook

In addition to other sections of the Group’s report, this section contains forward-looking information and actual outcomes may differ materially from those expressed or implied therein. For more information, see the section titled “Forward- Looking Information” in this MD&A.



The Company expects to continue to improve its operating performance in 2016 as a result of the following:

- The media based attractions segment will continue to execute its backlog of high value added products and services. As noted in last year's outlook, this segment continues to build multiple new products. The segment has recently launched a new revenue stream known as Unlimited Attractions™ which offers our customers a much broader range of the products and services (show elements) that transform a ride into a true media based attraction. These services include story concept, lighting, scenery, media, and special effects. It is anticipated that there will still be some challenges from an earned revenue and profit perspective because of the sheer number of new complex ride systems and service offerings being introduced concurrently. Our profit performance is expected to improve as second generation products get produced that take advantage of the learning curve associated with the first generation products.
- The weak Canadian dollar will continue to positively impact profit margins because the media based attractions are all sold predominantly in US dollars. There are costs that are incurred in US dollars as well, but there continues to be a net advantage of manufacturing in Canada and exporting in US dollars.

Dynamic Structures has experienced a delay in finalizing the contract to complete our design and build the thirty meter telescope (TMT) enclosure because a new construction permit in Hawaii was required by the local authorities. The TMT Corporation has initiated an alternative site selection process, in the event that the Hawaiian site does not obtain the required approvals in a timely manner. We remain confident that the TMT enclosure will be built by Dynamic Structures, even if the site location is changed.

As expected, the significant reduction in oil and gas prices has had a profound negative effect on capital expenditures in Western Canada. In spite of our quick reaction to the economic realities, we expect the Company's steel fabrication segment's operating performance in 2016 to continue to be challenged given the difficult competitive environment in Western Canada. We continue to pursue global steel supply chain opportunities, and cost saving initiatives to scale the segment's capacity to match the available market. In spite of the current difficult conditions in this segment, we see long term value here. Therefore, we also continue to evaluate strategic options that can unlock intrinsic value.

The Group's backlog remains healthy at \$130 million, down from \$155 million, as of December 31, 2014. The Company has a healthy pipeline of sales prospects it is working on to turn into backlog, and has never felt more bullish about its sales pipeline.

The Group plans to spin out the Tornado hydrovac truck division into its own public company named Tornado Global Hydrovacs Inc. at the end of June 2016. With a Chinese investor injecting \$10 million of cash into the spinout company, its exciting and invigorated strategy will start immediately and open up growth and profit opportunities in new geographic markets. This spin out gives the hydrovac business the access to capital and management focus required to execute its strategy. It also gives Empire the ability to devote its capital and management attention on its core business. Empire's shareholders will have the opportunity to benefit from their ownership stake in both of these publicly traded companies.

Overall, the Company has successfully repositioned itself into higher margin and higher growth, media based attractions. The Group will continue to shelter its profits from income tax through the use of its Deferred Tax Asset. It expects its balance sheet to strengthen throughout the year as its equity increases through earnings. The Company expects to benefit from its strategic focus on a market niche that is going to grow rapidly for many years to come.



Non-IFRS Methods

In this MD&A, the Group uses two financial management metrics that are not in accordance with IFRS “Adjusted earnings (loss) before interest, tax, depreciation and amortization (Adjusted EBITDA)” and “Adjusted Gross Margin”. Because these terms are not defined by IFRS they cannot be formally presented in the consolidated financial statements. The definition of Adjusted EBITDA does not take into account the Group’s share of profit of an associate investment, gains and losses on the disposal of assets, fair value changes in foreign currency forward contracts and non-cash components of stock based compensation. Adjusted EBIT is the result of the Group’s Adjusted EBITDA less depreciation and amortization expenses. The Adjusted Gross Margin metric is the result of revenues less cost of sales, excluding depreciation of property, plant and equipment. It should be noted that the Group’s definition of Adjusted EBITDA, Adjusted EBIT and Adjusted Gross Margin may differ from those definitions used by other companies.

While not IFRS measures, Adjusted EBITDA, Adjusted EBIT and Adjusted Gross Margin are used by management, creditors, analysts, investors and other financial stakeholders to assess the Group’s performance and management from a financial and operational perspective.

Reconciliation of Profit (loss) to Adjusted EBITDA

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2015	2014	Variance	2015	2014	Variance
Profit (loss) - before taxes	2,217	3,779	(1,562)	1,222	187	1,035
Add : Depreciation and amortization	2,127	1,557	570	827	440	387
Add/Deduct : (Gain) loss on disposal of assets and other (Income) loss	253	109	144	201	109	92
Add : Finance costs	1,111	1,237	(126)	83	379	(296)
Add/Deduct : Deduct Share of profit of associate	(26)	(111)	85	(146)	131	(277)
Add/Deduct : Fair value of changes of foreign currency option contracts	2,126	1,212	914	780	392	388
Add : non cash stock-based compensation	206	220	(14)	38	209	(171)
Adjusted EBITDA	8,014	8,003	11	3,005	1,847	1,158

Calculation of Adjusted EBIT

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2015	2014	Variance	2015	2014	Variance
Adjusted EBITDA	8,014	8,003	11	3,005	1,847	1,158
Less : Depreciation and amortization	(2,127)	(1,557)	(570)	(827)	(440)	(387)
Adjusted EBIT	5,887	6,446	(559)	2,178	1,407	771
% of revenue	3.9%	4.6%	-0.7%	5.6%	3.9%	1.7%

Calculation of Adjusted Gross Margin

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2015	2014	Variance	2015	2014	Variance
Revenues	151,403	141,156	10,247	38,816	36,124	2,692
Cost of sales excluding depreciation and amortization	(126,204)	(116,419)	(9,785)	(30,435)	(28,938)	(1,497)
Adjusted gross margin	25,199	24,737	462	8,381	7,186	1,195
% of revenue	16.64%	17.52%	-0.88%	21.59%	19.90%	1.69%



Consolidated Financial Statements

Management's Report To the Shareholders of Empire Industries Ltd.:

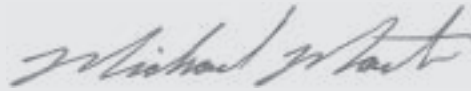
The accompanying consolidated financial statements of Empire Industries Ltd. contained in this annual report, including the notes thereto, have been prepared by management in accordance with the Company's accounting policies, which are in compliance with International Financial Reporting Standards (IRFS). In addition, the financial information contained elsewhere in this Annual Report is consistent with the financial statements.

The Board of Directors is responsible for the financial statements included in this annual report. The Audit Committee reviewed the contents of the consolidated financial statements with management and the independent auditor prior to their approval by the Board of Directors. The independent auditor discussed their audit work with the Committee.

Management has overall responsibility for internal controls and maintains accounting control systems designed to provide reasonable assurance that transactions are properly authorized, assets safeguarded and that the financial records form a reliable base for the preparation of accurate and timely financial information.

A handwritten signature in dark ink, appearing to read "Guy Nelson".

Guy Nelson, MBA, B. Comm.
Chief Executive Officer

A handwritten signature in dark ink, appearing to read "Michael Martin".

Michael Martin, CA
Chief Financial Officer

April 14, 2016

Independent Auditors' Report To the Shareholders of Empire Industries Ltd.:

We have audited the consolidated financial statements of Empire Industries Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

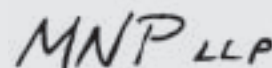
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Empire Industries Ltd. and its subsidiaries as at December 31, 2015 and December 31, 2014, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Winnipeg, Manitoba
April 14, 2016



Chartered Professional Accountants

Consolidated Statement of Comprehensive Income

For the years ended December 31		2015	2014
(In \$000's CAD, except where otherwise indicated)			
	Notes		
Revenues ⁽¹⁾		151,403	141,156
Cost of sales, excluding depreciation and amortization ⁽²⁾	17	(126,204)	(116,419)
Gross Profit, excluding depreciation and amortization		25,199	24,737
Selling and administration expenses	18	(17,185)	(16,734)
Result before depreciation, amortization and other items		8,014	8,003
Depreciation of property, plant and equipment	9	(1,343)	(1,167)
Amortization of intangible assets	8	(784)	(390)
Result before other items of income		5,887	6,446
Share of profit from associates	10	26	111
Stock-based compensation	16	(206)	(220)
Finance costs	19	(1,111)	(1,237)
Fair value changes in derivative financial instruments	25	(2,126)	(1,212)
Other non-operating expenses	20	(253)	(109)
Net Income before tax		2,217	3,779
Income tax (expense) recovery			
Current	22	(192)	(15)
Deferred	22	(655)	2,300
		(847)	2,285
Net income		1,370	6,064
Other comprehensive loss		(13)	-
Comprehensive income		1,357	6,064
Income per share - basic	21	0.005	0.024
Income per share - diluted	21	0.005	0.022

(1) Included in revenue are foreign exchange gains of \$1,522 for the year ended December 31, 2015 (2014 - \$1,191)

(2) Cost of sales including depreciation and amortization was \$128,094 for the year ended December 31, 2015 (2014 - \$117,562)

Cost of sales excluding depreciation and amortization also includes previously unrecognized investment tax credits of \$916 (2014 - \$1,308)

See accompanying notes

Consolidated Statement of Financial Position

As at		Dec 31, 2015	Dec 31, 2014
(In \$000's CAD, except where otherwise indicated)			
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents	12	81	31
Accounts receivable	5	46,197	40,641
Inventory	7	6,279	6,908
Prepaid expenses and other assets		1,275	924
Total current assets		53,832	48,504
Non-current assets			
Property, plant and equipment and investment property, net	9	13,053	9,790
Intangible assets, net	8	4,444	1,983
Other non-current assets		107	98
Investment in associate	10	1,990	1,964
Advances to associate	10	885	934
Deferred tax assets	22	5,829	5,023
Total non-current assets		26,308	19,792
Total assets		80,140	68,296
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness	12	6,391	9,785
Accounts payable and accrued liabilities	11	22,144	20,628
Deferred revenue from construction contracts	6	19,590	9,353
Current income taxes payable	22	138	15
Current portion of long-term debt	13	970	893
Current portion of convertible debentures	15	951	-
Current portion of derivative financial instruments	25	3,324	1,625
Total current liabilities		53,508	42,299
Non-current liabilities			
Long-term debt	13	1,561	2,223
Limited recourse loan	14	984	825
Convertible debentures	15	-	953
Derivative financial instruments	25	427	-
Total non-current liabilities		2,972	4,001
Total Liabilities		56,480	46,300
SHAREHOLDERS' EQUITY			
Share capital	16	7,955	7,798
Equity component of convertible debentures	15	144	151
Contributed surplus	16	3,721	3,564
Retained earnings		11,853	10,483
Accumulated other comprehensive loss		(13)	-
Total shareholders' equity		23,660	21,996
Total liabilities and shareholders' equity		80,140	68,296

Guarantees and contingencies [note 28]
See accompanying notes

On behalf of the Board of Directors:


Director


Director

Consolidated Statement of Changes in Shareholders' Equity

As at December 31, 2015

	Share capital	Equity component of convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
(In \$000's CAD, except where otherwise indicated)						
As at December 31, 2014	7,798	151	3,564	10,483	-	21,996
Exercise of stock options and warrants	103	-	-	-	-	103
Conversion of convertible debenture	54	(7)	(49)	-	-	(2)
Net income for the year	-	-	-	1,370	-	1,370
Other comprehensive loss	-	-	-	-	(13)	(13)
Stock-based compensation	-	-	206	-	-	206
As at December 31, 2015	7,955	144	3,721	11,853	(13)	23,660

As at December 31, 2014

	Share capital	Equity component of convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
(In \$000's CAD, except where otherwise indicated)						
As at December 31, 2013	7,343	157	3,416	4,419	-	15,335
Exercise of stock options and warrants	411	-	(72)	-	-	339
Conversion of convertible debenture	44	(6)	-	-	-	38
Net income for the year	-	-	-	6,064	-	6,064
Stock-based compensation	-	-	220	-	-	220
As at December 31, 2014	7,798	151	3,564	10,483	-	21,996

See accompanying notes

Consolidated Statement of Cash Flows

(In \$000's CAD, except where otherwise indicated)	2015	2014
OPERATING ACTIVITIES		
Comprehensive income	1,357	6,064
<i>Add (deduct) items not affecting cash :</i>		
Depreciation of property, plant and equipment	1,343	1,167
Amortization of intangible assets	784	390
Amortization of deferred financing charges	23	81
Finance costs paid on short-term and long-term borrowings	881	813
Loss on sale of property, plant and equipment	49	23
Loss on disposal of note receivable	112	-
Loss on foreign exchange revaluation of limited recourse loan	159	69
Foreign currency adjusted (net of tax)	13	-
Share of profit from associate investments	(26)	(111)
Non-cash interest income earned	(77)	(59)
Stock-based compensation	206	220
Fair value changes in derivative financial instruments	2,126	1,212
Unrealized foreign currency translation gains	(1,522)	(1,191)
Accretion of convertible debentures	45	33
Income taxes paid	(15)	-
Investment tax credits	(1,133)	-
Deferred income taxes	655	(3,608)
Cash flow from operations	4,980	5,103
Net change in non-cash working capital balances	6,479	(3,762)
Cash flow (used in) from operating activities	11,459	1,341
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (note 9)	(4,736)	(2,081)
Acquisition of other long term assets	(36)	-
Proceeds from sale of items of property, plant and equipment	3	-
Recognition of intangible assets (note 8)	(3,492)	(1,638)
Decrease (increase) amounts due from an associate	126	-
Cash flow used in investing activities	(8,135)	(3,719)
FINANCING ACTIVITIES		
Proceeds received from warrants and stock options exercised	54	339
Proceeds received from long-term debt and finance leases	331	307
Repayment of long-term debt	(948)	(904)
Finance costs paid on long-term borrowings	(344)	(379)
Cash flow from (used in) financing activities	(907)	(637)
Effect of translation of foreign currency cash and equivalents	1,027	404
Net (decrease) increase in cash and equivalents during the period	3,444	(2,611)
Cash and cash equivalents, beginning of period	(9,754)	(7,143)
Cash and cash equivalents, end of period	(6,310)	(9,754)
Cash and cash equivalents is comprised of :		
Cash	81	31
Bank indebtedness	(6,391)	(9,785)
	(6,310)	(9,754)

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

Amounts reported in thousands (000's) except per share amounts

1. Corporate information

Empire Industries Ltd. ("Empire") designs, fabricates, manufactures, erects and sells proprietary engineered products throughout the world. Key customer sectors include the entertainment industry, natural resource infrastructure, manufacturing, and processing industries, excavation industry, and the government sector. Empire also provides steel fabrication and installation services to industrial and infrastructure markets, primarily in western Canada as well as participating in the market for oil sands maintenance services through its 49% ownership of its aboriginal partnership.

Empire Industries Ltd. is listed on the Toronto Stock Exchange's venture exchange trading under "EIL" and is incorporated under the Business Corporations Act of Alberta, Canada. The head office is located at 717 Jarvis Avenue, Winnipeg Manitoba, R2W 3B4.

The consolidated financial statements were recommended for approval by the Audit Committee on April 13, 2016 and were approved and authorized for issue by the Board of Directors on April 14, 2016.

2. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements are prepared for the year ended December 31, 2015 and include the results for the comparative year ended December 31, 2014. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as disclosed. Included in these consolidated financial statements are the accounts for Empire and all of its subsidiaries (the "Group"). These consolidated financial statements have been prepared in Canadian dollars which is the functional currency of the Group.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of consolidation

The consolidated financial statements include the accounts of Empire Industries Ltd. and its wholly owned subsidiaries: Empire Iron Works Ltd., Dynamic Attractions Ltd. and its wholly owned subsidiary Dynamic Attractions Inc. The consolidated financial statements furthermore include subsidiaries of the wholly-owned subsidiaries: Dynamic Optics Ltd; 1868480 Alberta Ltd; and 1366377 Texas Inc. (formerly Tornado Technologies, Inc., TX, USA). The Group equity accounts for its investments in ACE Industrial Services and its subsidiaries Lemax Machine and Welding Inc. (AB, Canada "ACE" – 49%) and Qiguang Dynamic Structures Ltd (Dongguan, Guangdong P.R. China "QDSL" 45%).

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as Empire, using consistent accounting policies. All inter-company balances, income and expenses and unrealized gains and losses resulting from inter-company transactions are eliminated in full.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange. Acquisition costs for business combinations are expensed and included in selling, general and administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition.

Investment in associates

An associate is an entity over which the Group has significant influence (i.e. the power to participate in the financial and operating policy decisions of the associate) but not have control or joint control.

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

Amounts reported in thousands (000's) except per share amounts

Investments in associates are accounted for using the equity method. The share of income of associates is recognized in the consolidated statement of comprehensive income and its share of other comprehensive income of associates is included in other comprehensive income.

If the cumulative losses exceed the carrying value of the equity investment, they are first applied to any additional advances that are receivable from the associate to the extent of the total amount receivable. Additional losses are recognized only to the extent that there exists a legal or constructive obligation.

Foreign currency translation

The reporting currency for the consolidated financial statements is the Canadian dollar. For subsidiaries in the Group whose functional currency is not the Canadian dollar, their results are translated into Canadian dollars as follows:

- assets and liabilities are translated into Canadian dollars at the exchange rate in effect on the statement of financial position date,
- results of operations are translated into Canadian dollars at the average monthly exchange rate;
- foreign exchange differences arising from exchange rate fluctuations are accounted for in other comprehensive income and equity.

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the date of the transaction. Gains or losses resulting from the translations are recognized in comprehensive income. Monetary items are translated at the Canadian dollar spot rate as of the reporting date. Exchange differences from monetary items are recognized in comprehensive income. Nonmonetary items that are not carried at fair value are translated using the exchange rates as at the dates of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Revenue recognition

Revenues are recorded according to IAS 11, "Construction Contracts", when the criteria are satisfied; otherwise, revenues are recorded in accordance with IAS 18, "Revenue". A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Revenue from construction contracts is determined using the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. Contract costs include all direct material and labour costs. Provisions are recorded for anticipated contract losses as soon as they are evident. In circumstances where significant advance purchases under a contract, such as materials, would result in a materially higher percentage of completion estimate for sales than would be indicated by other measures such as labour hours, management adjusts the percentage of completion to the lower level indicated by the alternative measure.

Anticipated revenues on contracts may include future revenues from claims and unapproved change orders, if such additional revenues can be reliably estimated and it is considered probable that they will be recovered. Such additional revenues are limited to the costs related to the claims or unapproved change orders.

Revenues from the design, fabrication and installation of equipment are recorded when the products are completed and accepted by the customer or the services are rendered and collection is reasonably assured. Any foreseeable losses on contracts are charged to operations at the time they become evident. Revenues from the sale of used equipment are recognized when title passes from the Group to its customers and collection is reasonably assured. Revenues from operating leases are recognized over the lease term including estimated renewal periods.

Other revenues are recognized when earned in accordance with IAS 18.

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

Amounts reported in thousands (000's) except per share amounts

Income taxes

Tax expense is comprised of two components; current tax expense and deferred tax expense.

Current tax

Recoverable tax assets or current tax liabilities represent the tax authorities' obligations or claims for prior or current periods which are not received or paid at the end of the reporting period. Current tax is based on taxable income which differs from accounting income by definition. Recoverable tax assets or current tax liabilities are measured using the tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax

Deferred tax is determined based on differences between the carrying amounts of the assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable income. Deferred tax assets or liabilities are measured based on tax rates that have been enacted or substantially enacted by the end of the reporting period, and that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets or liabilities are recognized for all deductible or taxable temporary differences arising if it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference(s) can be utilized.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Investment tax credits

Federal and provincial investment tax credits are accounted for as a reduction to the corresponding expenditures and assets in the period in which the credits are earned and when there is reasonable assurance that the credits can be used to recover taxes.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. In the consolidated statement of financial position, non-current assets held for sale have been separately identified.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

Property, plant and equipment and investment property

Property, plant and equipment are stated at cost, net of any accumulated depreciation, impairment losses and subsequent reversals (if any). Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

Amounts reported in thousands (000's) except per share amounts

Buildings (including investment property)	25 years
Machinery and equipment ("M&E")	3 to 15 years
Vehicles	1 to 7 years
Office furniture and equipment ("Office Equip")	3 to 10 years
Leasehold improvements	Over the lease period
Parking lots	10 years

The assets' useful lives, residual values and methods of depreciation of assets are reviewed annually, and adjusted prospectively, if appropriate.

Investment property is held to earn rental income and for capital appreciation. It is recognized at cost less accumulated depreciation and accumulated impairment losses. With the exception of land, which is not depreciated, investment property is depreciated using the straight-line method over its useful life (25 years). Useful lives and residual values are revised annually or when warranted by the circumstances.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time, which the Group considers to be 12 months or more, to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Intangible assets

Intangible assets are initially recognized when the recognition criteria outlined in IAS 38 – Intangible Assets are met. IAS 38 outlines the recognition criteria as well as the nature of the amounts to be recognized.

Internally generated intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite useful life is reviewed at least annually. Change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statement of comprehensive income.

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Amounts reported in thousands (000's) except per share amounts

Finite life intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets as follows:

Internally developed product designs	3 - 7 years
Internally generated patents	5 - 7 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that the non-current assets have been impaired. If any such indication exists, the recoverable amount of the asset is determined. An impairment loss is recognized in profit or loss when the carrying amount of the asset exceeds its recoverable amount.

If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In the measurement of the value in use, estimates of future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of cash flows have not been adjusted.

Cash and cash equivalents

All highly liquid temporary cash investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

Inventory

Inventory is comprised of raw materials, work in progress and finished goods. Inventory is valued at the lower of cost and net realizable value, using an average cost basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write down previously recorded is reversed.

Financial instruments

Financial assets and liabilities are initially recognized at fair value and subsequently recognized according to their classification. The classification depends on the intention with which the financial instruments were acquired and their characteristics. Unless specific circumstances permitted under IFRS are present, the classification is not modified after initial recognition.

Hierarchy of fair value measurements

The Group classifies its financial assets and liabilities measured at fair value into three levels according to the observability of the inputs used in their measurement.

Level 1 - Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 - Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Notes to the Consolidated Financial Statements

December 31, 2015 and 2014

Amounts reported in thousands (000's) except per share amounts

Financial assets

Financial assets are classified into the following specified categories:

Financial assets at fair value through profit or loss ["FVTPL"] - Financial assets classified as assets held for trading are recognized at fair value at each reporting period date, and any change in the fair value is reflected in profit or loss in the period during which these changes take place.

Loans and receivables - Financial assets classified as loans and receivables are accounted for at amortized cost using the effective interest rate method. Interest income is included in profit or loss over the expected life of the financial asset.

Held-to-maturity investments - Bonds with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available for sale assets - Financial assets classified as available-for-sale are recorded at fair value, and the gains/losses resulting from the revaluation at the end of each period are recognized in other comprehensive income. Upon derecognition, all cumulative gains or losses previously recognized in accumulated other comprehensive income are reflected in comprehensive income.

Impairment of Financial Assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Notes to the Consolidated Financial Statements

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Amounts reported in thousands (000's) except per share amounts

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Other financial liabilities

Accounts payable and accrued liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at fair value determined using the perspective of a market participant at the measurement date which is typically the proceeds received. Direct issue costs are deducted from this value.

Convertible debentures

The proceeds from the offerings of convertible debentures are recognized as a liability component and an equity component, which represents the fair value of equity and the fair value of the financial liability from the fair value of the convertible debentures issued. The fair value of the financial liability is estimated by comparing the stated interest rate on the debentures to the prevailing market rates for non-convertible debt with all other terms and conditions consistent to the underlying debenture.

Warrants

Warrants granted in connection with issuing common shares and convertible debentures are recorded at fair value on the date of grant using the Black-Scholes option-pricing model or other appropriate measure. The component of the capital raised attributable to the fair value of the warrants is recorded in the corresponding period to contributed surplus. Any consideration paid by the warrant holder on exercise of the warrant is credited to share capital and contributed surplus is decreased.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, comprising foreign exchange forward contracts and options. Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each reporting period. The Group's derivatives are not designated or do not qualify for hedge accounting, any subsequent change in fair value is recognized in income.

Notes to the Consolidated Financial Statements

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Transaction costs

Transaction costs related to financial instruments that are not classified as assets and liabilities at fair value through profit and loss, are recognized on the consolidated statement of financial position as an adjustment to the cost of the financial instrument upon initial recognition and amortized using the effective interest rate method. Deferred financing expenses related to revolving loans and recognized under non-current assets are amortized over the financing period.

Earnings per share

The computation of earnings per share is based on the weighted average number of shares outstanding during the period. Diluted earnings per share are computed in a similar way to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares assuming the exercise of share options, share appreciation rights and convertible debt options, if dilutive.

Share-based compensation plans

Employees of the Group may receive remuneration in the form of stock options. Awards granted under the Group's stock option plan are recognized in comprehensive income using the fair value method using the Black Scholes method for option valuation.

Equity settled transactions

The cost of equity settled transactions is recognized, together with a corresponding increase in other capital reserves, in equity, over the period in which the performance and/or service conditions are fulfilled.

When options, warrants and other share-based compensation awards are exercised or exchanged, the amounts previously credited to contributed surplus are reversed and credited to shareholder's equity. The amount of cash, if any, received from participants is also credited to shareholder's equity.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Reportable segments

A reportable business segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Group's other segments. All inter-segment transactions are accounted for at fair value. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group has four main reportable segments; Media-Based Attractions, Manufactured Products, Steel Fabrication Services and Corporate segment. The operating segments are described below.

Operating Segment	Description
Media-based Attractions	Design and manufacture complex ride systems, telescopes and custom machinery and equipment. Turn key supplier of premium entertainment attractions and provider of parts and service of amusement park attractions. Leased production facilities in Port Coquitlam, BC. Leased sales offices in Orlando FL, Arlington, TX and Toronto, ON.
Manufactured Products	Manufacture hydrovac trucks for excavation service providers to the oil and gas industry and the municipal market. Leased production facility is in Stettler, AB and a sales office located in Calgary, AB.

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Operating Segment	Description
Steel Fabrication Services	Structural steel fabrication and installation. Fabrication of tanks, pressure vessels and other specialty carbon and stainless steel products. One owned production facility west of Edmonton, AB and a leased sales office in Edmonton, AB as well as a leased production facility in Winnipeg, MB.
Corporate	Head office located in Winnipeg. Executive management, managerial and financial oversight, business development and compliance requirements for the overall organization as well as management services to the other operating segments.

Post-retirement benefit plans

The Group contributes to retirement savings plans subject to maximum limits per employee. The Group accounts for such defined contributions as an expense in the period in which the contributions are required to be made. The Group does not have any defined benefit plans.

3. Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and the disclosure of contingent liabilities. Actual results could differ from those judgments, estimates and assumptions. The items whose actual results could differ significantly from those judgments, estimates and assumptions are described below.

Critical judgements made in applying the Group's accounting policies

Cash generating units

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Management determines which groups of assets are capable of generating cash inflows that are largely independent of other operations within the Group.

Key sources of estimation uncertainty

Revenue recognition

The percentage of completion method and the revenue to be recognized are determined on the basis of estimates for which the Group has implemented an internal financial budgeting and reporting system which relies on historical experience. The Group reviews the estimates of contract revenue and contract costs as of each reporting date. Contract losses are recognized as soon as they are identified.

The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors.

The determination of anticipated revenues includes the contractually agreed revenue and may also involve estimates of future revenues from claims and unapproved change orders if such additional revenues can be reliably estimated and it is considered probable that they will be recovered. A change order results from a change to the scope of the work to be performed compared to the original contract that was signed. An example of such contract variation could be a change in the specifications or design of the project, whereby costs related to such variation might be incurred prior to the client's formal contract amendment signature. A claim represents an amount expected to be collected from the client or a third-party as reimbursement for costs incurred that are not part of the original contract. In both cases, management's judgments are required in determining the probability that additional revenue will be recovered from these variations and in determining

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the measurement of the amount to be recovered. As at December 31, 2015, the Group has estimated that revenues of \$nil (2014 – \$nil) will be recovered on specific contract variations and claims. The Group has recognized construction costs in the amount of \$nil (2014 – \$nil) in the consolidated statement of comprehensive income for which no associated revenue has been recognized. Revenues associated with these construction costs will be recognized if management believes the receipt of such revenues is probable and the amount to be received can be measured reliably.

Allowance for doubtful accounts

Given the nature of business and the credit terms provided to customers, estimates and judgements are inherent in the on-going assessment of the recoverability of some accounts receivable. The Group maintains an allowance for doubtful accounts to reflect expected credit losses. The Group is not able to predict changes in the financial conditions of its customers and the Group's judgement related to the recoverability of accounts receivable may be materially impacted if the financial condition of the Group's customers deteriorates.

Assets and liabilities held for sale

The Group classifies assets held for sale when the criteria outlined in IFRS 5 are satisfied. The criteria to be satisfied are as follows:

1. The carrying amount of the assets to be classified as held for sale will be principally recovered through the proposed transaction;
2. The assets to be classified as held for sale are available for immediate sale;
3. The sale is highly probable; and
4. The Group is committed to a plan to sale the assets to be classified as held for sale.

As of December 31, 2015 the Group has not designated any assets as held for sale

Valuation of inventory

Estimates and judgements are inherent in the determination of the net realizable value of inventories. The cost of inventories may not be fully recoverable if they are damaged or if the selling price of the inventory is less than its cost. The Group regularly reviews its inventory quantities and reduces the cost attributed to inventory no longer deemed to be fully recoverable. Estimates related to the determination of net realizable value may be impacted by a number of factors including market conditions.

Share-based payments

The Group measures the cost of share-based payments to employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Intangible assets

Expenditures of research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in profit or loss as incurred (note 18). Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product of process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset (note 8).

Impairment of non-financial assets

The Group's impairment test is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast and do not include restructuring activities that the Group is not yet committed to or significant future investments that may enhance the performance of the cash generating unit being tested. The calculation is sensitive to the discount rate applied as well as the expected future cash inflows.

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Useful lives of key property, plant and equipment, investment property and intangible assets

Estimated useful lives of property, plant and equipment, investment property and intangible assets are based on management's judgment and experience. When management identifies that the actual useful lives for these assets differ materially from the estimates used to calculate depreciation and amortization, that change is adjusted prospectively. Asset lives, depreciation and amortization methods, and residual values are reviewed periodically.

The Group periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as significant changes in technological, market, economic or legal environment, business and market trends, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates either the value in use or fair value less costs to sell.

Deferred Taxes

The Group accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on deductible or taxable temporary differences between the carrying amounts and tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured using substantially enacted tax rates expected to apply in the years in which the temporary differences are expected to reverse. If the estimates and assumptions are modified in the future, the Group may be required to reduce or increase the value of deferred tax assets or liabilities resulting in, where applicable, an income tax expense or recovery. The Group regularly evaluates deferred tax assets and liabilities. As at December 31, 2015 the Group has an asset of \$5,910 (2014 - \$5,023) pertaining to projected future use based on management's budget and estimates. Management has recorded investment tax credit using costs and project methodologies that had been previously accepted as filed.

4. Standards issued but not yet effective

As of January 1, 2016 or later dates, the Company will be required to adopt certain standards and amendments issued by the IASB as described below, for which the Company is currently assessing the impact. Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for these consolidated financial statements. The Company reasonably expects the following standards to be applicable to its consolidated financial statements at a future date as listed below:

IFRS 9 Financial instruments

IFRS introduces new requirements for classifying and measuring financial assets and financial liabilities. Under IFRS 9 financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduced additional changes related to the financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC31 Revenue – barter transactions involving advertising services. The standard provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The five steps are:

1. Identify the contract(s) with the customer.
2. Identify the performance obligation(s) in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to each performance obligation in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of this standard on its consolidated financial statements.

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IFRS 16 Leases

IFRS 16 - Leases replaces IAS 17 - Leases and requires lessees to account for leases on balance sheet by recognizing a right of use asset and a lease liability. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Group is currently assessing the impact of this standard on its consolidated financial statements.

5. Accounts receivable

	Dec 31, 2015	Dec 31, 2014
Trade	16,503	15,645
Unbilled construction contract receivables (note 6)	28,569	24,065
Other receivables	1,125	838
Associates and other related parties	-	100
Allowance for doubtful accounts	-	(7)
	46,197	40,641

The Group's breakdown of the aging of trade accounts receivables is as follows:

	Dec 31, 2015	Dec 31, 2014
< 30 days	4,655	4,008
> 30 days	2,857	4,022
> 60 days	2,643	2,285
> 90 days	2,014	2,401
Holdbacks	4,334	2,929
	16,503	15,645

6. Construction contracts

	Dec 31, 2015	Dec 31, 2014
Construction costs incurred and estimated profits, less recognized losses to date	192,283	140,873
Less: Progress billings	(183,304)	(126,161)
	8,979	14,712
Items recognized and included in the consolidated financial statements as:		
Unbilled construction contract receivables (note 5)	28,569	24,065
Deferred revenue from construction contracts	(19,590)	(9,353)
	8,979	14,712

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7. Inventories

Inventories are comprised of the following:

	Dec 31, 2015	Dec 31, 2014
Work-in-process	1,150	2,202
Raw Materials	3,526	3,998
Finished goods	1,603	708
	6,279	6,908

During the year, the Group recorded inventory write-downs of \$97 (2014 - \$191). The amount of inventories recognized as an expense within cost of goods sold is \$13,702 (2014 - \$22,116).

8. Intangible assets

	Product		
	Design	Patents	Total
Opening cost balance December 31, 2013	579	204	783
Additions	1,205	433	1,638
Ending cost balance December 31, 2014	1,784	637	2,421
Opening amortization balance December 31, 2013	48	-	48
Amortization expense for the year	345	45	390
Ending amortization balance December 31, 2014	393	45	438
Opening net book value December 31, 2013	531	204	735
Ending net book value December 31, 2014	1,391	592	1,983
Opening cost balance December 31, 2014	1,784	637	2,421
Additions	2,093	1,399	3,492
Investment tax credits	(203)	(44)	(247)
Ending cost balance December 31, 2015	3,674	1,992	5,666
Opening amortization balance December 31, 2014	393	45	438
Amortization expense for the year	522	262	784
Ending amortization balance December 31, 2015	915	307	1,222
Opening net book value December 31, 2014	1,391	592	1,983
Ending net book value December 31, 2015	2,759	1,685	4,444

The Group has designated certain proprietary product designs and other items under development that will be patented as internally generated intangible assets in the Group's Media-based attractions and Manufactured Products segment.

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9. Property, plant and equipment and investment property

	Land	Building	M&E	Office Equip.	Lease-holds	Vehicles	Parking Lots	Total
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance, December 31, 2013	850	2,881	10,954	3,111	1,576	357	45	19,774
Additions	-	115	1,610	200	148	8	-	2,081
Other long-term assets transferred to property, plant and equipment	-	-	81	-	-	-	-	81
Disposals	-	-	(474)	-	-	(15)	-	(489)
Balance, December 31, 2014	850	2,996	12,171	3,311	1,724	350	45	21,447
DEPRECIATION								
Balance, December 31, 2013	-	772	6,673	2,531	657	300	23	10,956
Depreciation charge for the year	-	100	631	241	173	19	3	1,167
Disposals	-	-	(451)	-	-	(15)	-	(466)
Balance, December 31, 2014	-	872	6,853	2,772	830	304	26	11,657
Net book value, December 31, 2014	850	2,124	5,318	539	894	46	19	9,790
COST								
Balance, December 31, 2014	850	2,996	12,171	3,311	1,724	350	45	21,447
Additions	-	1,108	1,379	1,144	1,034	71	-	4,736
Investment tax credits received	-	-	(81)	-	-	-	-	(81)
Disposals	-	-	(231)	(101)	-	(2)	-	(334)
Balance, December 31, 2015	850	4,104	13,238	4,354	2,758	419	45	25,768
DEPRECIATION								
Balance, December 31, 2014	-	872	6,853	2,772	830	304	26	11,657
Depreciation charge for the year	-	130	684	285	213	27	4	1,343
Disposals	-	-	(230)	(53)	-	(2)	-	(285)
Balance, December 31, 2015	-	1,002	7,307	3,004	1,043	329	30	12,715
Net book value, December 31, 2015	850	3,102	5,931	1,350	1,715	90	15	13,053

During the year, the group recorded revenue of \$75 from the investment property (2014 - \$68) with recoverable direct operating expenses of \$35 (2014 - \$52). Included in depreciation expense for the year is depreciation of \$21 relating to the investment property (2014 - \$21). The Group estimates that the net book value of investment property consisting of land of \$190 (2014 - \$190) and the net book value of the building of \$415 (2014 - \$436) which the Group estimates approximates the fair value.

Fully amortized items of property, plant and equipment with a historical cost of \$2,709 (2014 - \$2,341) are still in use by the Group.

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10. Investment in associates

	Dec 31, 2015	Dec 31, 2014
Equity accounted for investments:		
ACE Industrial Services Ltd (49% ownership)		
Beginning balance	1,964	1,853
Current year equity earnings	26	111
	1,990	1,964

The Group has a 49% interest in Athabasca Chipewyan Empire Industrial Services Ltd. ("ACE"), Fort McMurray, Canada, which is involved in the steel fabrication and installation business and provides multi-trade industrial construction as well as maintenance services. The Group's interest in ACE includes its wholly owned subsidiary, Lemax Machine and Welding Inc. ACE is a private entity that is not listed on any public exchange and as such its independent fair value is not readily determinable.

The tables below disclose the assets and liabilities as at December 31, 2015 and December 31, 2014 and income and expenses of ACE for the year ended December 31, 2015 and 2014:

	Dec 31, 2015	Dec 31, 2014
ACE's statement of financial position		
Current assets	3,059	4,073
Non-current assets	2,407	2,578
Current liabilities	(1,269)	(1,991)
Non-Current liabilities	(2,190)	(2,707)
Equity	2,007	1,953

	Dec 31, 2015	Dec 31, 2014
ACE's revenue and profit (loss)		
Revenue	9,561	15,870
Profit	54	226

The Group has outstanding long-term advances to ACE Industrial Services Ltd. of \$885 (2014 - \$934). The unsecured advances accrue interest at 8% per annum with no specified repayment terms. During the year, the Group earned \$77 (2014 - \$69) in interest income from ACE Industrial Services Ltd and management fees of \$60 (2014 - \$160).

The Group has a 45% interest in Dongguan Qiguang Dynamic Steel Structures Ltd ("QDSL"), in Dongguan, Guangdong P.R. China which is involved in the steel fabrication and installation business in China which the Group has assessed as immaterial. QDSL is a private entity and is not listed on any public exchange. The Group's share of future equity earnings will be applied to the principal of the limited recourse loan owing to Qiguang Investment (HK) Limited until such time as the principal is repaid in full (note 14). The Group assessed the current fair value of the investment at \$nil (2014 - \$nil). The Group is not exposed to any additional losses beyond its initial investment amount. The Group has not disclosed any financial information for QDSL as financial information is not available at the date of release.

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11. Accounts payable and accrued liabilities

	Dec 31, 2015	Dec 31, 2014
Accounts payable and accrued liabilities	19,746	18,580
Accrued wages, vacation and bonuses payable	1,952	1,708
Commodity and other taxes payable	315	-
Deferred revenue	131	340
	<u>22,144</u>	<u>20,628</u>

12. Bank indebtedness and bank operating lines

The Group's cash balance of \$81 (2014 - \$31) represents funds on deposit. At December 31, 2015, the Group had total draws on its bank operating lines of credit of \$6,391 (2014 - \$9,785). Advances on the facility are payable on demand and bear interest at prime plus 1.5%. The overdraft facility with a limit of \$15,000 (2014 - \$15,000) is secured by a general security agreement providing a first security interest in all present and after-acquired property of the Group.

13. Long-term debt

	Dec 31, 2015	Dec 31, 2014
CIBC term loan	2,123	2,866
Other finance leases	450	306
	<u>2,573</u>	<u>3,172</u>
Deferred finance costs allocated	(42)	(56)
	<u>2,531</u>	<u>3,116</u>
<i>Less: current portion of long-term debt</i>	<u>970</u>	<u>893</u>
Long-term portion	1,561	2,223

The CIBC term loan bears interest at prime plus 1.5% and matures on November 1, 2018. The Group makes equal monthly principal payments of \$58 plus accrued interest. The CIBC term loan is part of the same facility described in note 12 and is secured by general security agreements providing a first security interest in all present and after-acquired property of the Group. The Group has recorded unamortized financing costs of \$42 (2014 - \$56) associated with securing the CIBC term loan as a net reduction of the overall long-term debt balance.

Other finance leases are for shop equipment that bears interest between 4 - 7% with aggregate monthly payments of \$14 maturing between 2016 and 2018. The leases are secured by the assets being leased with a net book value of \$602 comprised of \$426 of machinery and equipment, \$132 of office equipment and \$44 of vehicles (2014 - \$278 of machinery and equipment and \$136 of office equipment).

The Group's long-term debt is scheduled to be repaid over the next three years (2016 - \$970, 2017 - \$865 and 2018 - \$696).

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14. Limited recourse loan

The limited recourse loan was issued on November 14, 2011 in the amount of \$711 USD (2015 - \$984 and 2014 - \$825) and the proceeds were used to fund the Group's 45% investment in Dongguan Qiguang Dynamic Steel Structures Limited ("QDSL") in Dongguan, Guangdong, P.R. China (note 10). The loan bears interest at 10% per annum payable quarterly. Security for the loan for Qiguang Investment (HK) Limited is restricted to the Group's shares of QDSL. There is no term on the loan and principal repayments for the loan is restricted only to the Group's share of the equity earnings of QDSL. Total interest expense in 2015 of \$91 (2014 - \$88) has been paid or accrued on the limited recourse loan with accrued interest of \$53 (2014 - \$31) recorded in accounts payable at the date of the consolidated statement of financial position.

15. Convertible debentures

The Group has two tranches of subordinate convertible debentures outstanding with a total face value of \$970 (2014 - \$1,020). These debentures are unsecured and subordinated and are convertible into Empire Industries Ltd. common shares at a conversion price of \$0.10. The terms and conditions for each tranche of debentures issued are as follows:

	Dec 31, 2015	Dec 31, 2014
Maturing on February 13, 2016		
Face value	520	520
Interest rate	10.0%	10.0%
Carrying value	520	491
Maturing on December 28, 2016		
Face value	450	500
Interest rate	15.0%	15.0%
Carrying value	431	462
Total Carrying value	951	953

The fair value of the subordinated convertible debentures at December 31, 2015 is \$951 (2014 - \$953) and is recorded at amortized cost. Fair value was estimated by comparing the face value of the debentures to the prevailing market rates for similar non-convertible debt instruments. The residual value of \$144 (2014 - \$151) is separately recorded in equity with accumulated accretion of \$132 which includes accretion expense in 2015 of \$45 (2014 - \$33). During the year, convertible debentures with a face value of \$50 were converted into common shares. On February 13, 2016 debentures with a face value of \$520 were repaid.

16. Share capital

Common shares

The Group is permitted to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares. The preferred shares may be issued in one or more series, and the Directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

	Dec 31, 2015	Dec 31, 2014
<i>Common Shares (issued and outstanding - no par value)</i>	<i>259,336,473</i>	<i>258,236,473</i>
Share capital - opening balance	7,798	7,343
Exercise of stock options and warrants	103	411
Conversion of convertible debentures	54	44
	7,955	7,798

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In 2015, 600,000 shares were issued through the exercise of stock options for additional cash proceeds of \$54. An additional 500,000 shares issued upon conversion of convertible debentures with a face value of \$50. In 2014, 4,000,000 shares were issued as a result of warrants exercised for additional cash proceeds of \$285 and 600,000 shares were issued from exercising stock options for additional cash proceeds of \$54. An additional 400,000 shares were issued upon conversion of convertible debentures with a face value of \$40.

Warrants

The Group has 27,700,000 warrants outstanding from a private placement of common shares in 2013. Each outstanding warrant entitles the holder to buy one common share at an exercise price of \$0.10 per share until July 10, 2018. A summary of the Group's warrants as at December 31, 2015 and December 31, 2014 and changes during the periods then ended follows:

	Dec 31, 2015	Weighted Average Exercise Price	Dec 31, 2014	Weighted Average Exercise Price
Balance, beginning of the year	27,700,000	0.10	35,000,000	0.10
Warrants exercised	-	-	(4,000,000)	0.07
Warrants expired	-	-	(3,300,000)	0.10
Balance, end of the year	27,700,000	0.10	27,700,000	0.10
Exercisable	27,700,000	0.10	27,700,000	0.10
Weighted remaining average life (years)	2.52		3.52	

Stock Options

The Group maintains a stock option plan for the benefit of officers, directors, key employees and consultants of the Group. At December 31, 2015 the Group was permitted to issue up to a maximum of 25,933,647 stock options, being 10% of the outstanding common shares. A summary of the Group's options as at December 31, 2015 and December 31, 2014 and changes to the years then ended are as follows:

	Dec 31, 2015	Weighted Average Exercise Price	Dec 31, 2014	Weighted Average Exercise Price
Balance, beginning of the year	21,760,000	0.095	20,923,000	0.11
Options issued	3,250,000	0.10	2,500,000	0.10
Options expired	-	0.00	(458,000)	0.62
Options forfeited	(400,000)	0.09	(605,000)	0.10
Options exercised	(600,000)	0.09	(600,000)	0.09
Balance, end of the year	24,010,000	0.098	21,760,000	0.095
Exercisable	21,843,333	0.098	21,760,000	0.095
Weighted remaining average life (years)	2.45		3.20	

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Exercise Price (\$)	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (\$)	Number Exercisable	Weighted Average Exercise Price (\$)
0.09	10,565,000	2.94	0.09	11,565,000	0.09
0.10	10,195,000	1.35	0.10	10,195,000	0.10
0.11	1,000,000	4.07	0.11	333,333	0.11
0.125	2,250,000	4.40	0.125	750,000	0.125
	24,010,000	2.45	0.098	21,760,000	0.096

The fair value associated with the options granted was calculated using the Black-Scholes model for option valuation. A summary of the Group's valuations assumptions, key inputs, valuation results and stock-based compensation details are as follows:

Year	Vesting Term	Assumed Volatility	Risk-free Rate	Mkt Price @ Grant	Fair Value	2015 SBC	2014 SBC
2011	3 Years	139%	2.06%	0.06	279	-	12
2013	Immediate	149.50%	1.71%	0.09	989	-	-
2014	Immediate	141.89%	1.33%	0.095	208	-	208
2015	3 Years	137.59%	0.56%	0.105	85	66	-
2015	3 Years	134.93%	0.76%	0.125	226	140	-
						206	220

Contributed surplus

Changes in contributed surplus consisted of the following:

	Dec 31, 2015	Dec 31, 2014
Balance, beginning of the year	3,564	3,416
Stock-based compensation expense (net of forfeitures)	206	220
Fair value of common share purchase warrants issued	-	-
Re-class of fair value of share purchase warrants exercised	-	(23)
Re-class of stock-based compensation expense for options exercised	(49)	(49)
Balance, end of the year	3,721	3,564

17. Cost of sales

	Dec 31, 2015	Dec 31, 2014
Direct construction costs	(110,625)	(101,173)
Indirect salaries and benefits	(8,454)	(6,827)
Indirect production costs	(7,125)	(8,419)
	(126,204)	(116,419)

Included in cost of sales is \$1,621 (2014 - \$1,630) expensed during the year for defined contribution plans.

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18. Selling and administrative expenses

	Dec 31, 2015	Dec 31, 2014
Salaries and benefits	(9,394)	(9,495)
General, selling and administrative expenses	(7,622)	(6,831)
Research Expenditures	(114)	(408)
	<u>(17,185)</u>	<u>(16,734)</u>

Included in selling and administrative expenses is \$119 (2014 - \$81) expensed during the year for defined contribution pension plans.

19. Finance costs

	Dec 31, 2015	Dec 31, 2014
Interest on long-term borrowings	(344)	(379)
Interest on short-term borrowing and other	(699)	(744)
Accretion expense	(45)	(33)
Deferred financing charges	(23)	(81)
	<u>(1,111)</u>	<u>(1,237)</u>

20. Other non-operating expenses

	Dec 31, 2015	Dec 31, 2014
Loss on disposal of property, plant and equipment	(49)	(23)
Loss on write-down of note receivable	(112)	-
Miscellaneous income (loss)	(92)	(86)
	<u>(253)</u>	<u>(109)</u>

During 2015, the Group elected to write-off a note receivable relating to assets sold in 2013 in the amount of \$112 due to concerns over collectability.

21. Income per share

Income per share for the year ended December 31:

	Dec 31, 2015	Dec 31, 2014
Net income attributable to shareholders	1,370	6,064
Effect of diluted securities on net income		
Net income from assumed debenture conversion	122	132
Diluted net income attributable to shareholders	<u>1,492</u>	<u>6,196</u>
Basic weighted average number of shares	258,906,062	255,265,576
Effect of diluted securities		
Net incremental dilutive shares	<u>11,957,758</u>	<u>21,211,475</u>
Diluted weighted average number of shares	<u>270,863,820</u>	<u>276,477,051</u>
Net earnings per share		
Basic	0.005	0.024
Diluted	0.005	0.022

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Basic earnings per share is derived by dividing the earnings for the year by the weighted average number of common shares outstanding for the period. Dilutive earnings per share is derived by dividing the adjusted earnings by the weighted average number of common shares outstanding assuming all dilutive securities are exercised at the beginning of the year. In the dilutive earnings per share calculation, earnings is adjusted to reflect finance costs that would not have been incurred as a result of the assumed conversion of subordinate convertible debentures.

22. Income tax expense (recovery)

The major components of tax expense (recovery) are as follows:

	Dec 31, 2015	Dec 31, 2014
Current tax expense	192	15
Deferred tax expense relating to origination and reversal of temporary differences, unused tax losses, and unused tax credits	655	911
Benefit arising from previously unrecognized tax loss, tax credit, or temporary difference of a prior period used to reduce deferred tax expense	-	(3,211)
Total deferred tax expense (recovery)	655	(2,300)
Total income tax expense (recovery)	847	(2,285)

The reconciliation between income tax expense (recovery) and the product of accounting profit multiplied by the combined federal and provincial statutory income tax rate is as follows:

	Dec 31, 2015	Dec 31, 2014
Accounting profit	2,217	3,779
Combined federal and provincial statutory income tax rate	27.00%	25.64%
Income tax calculated using combined federal and provincial statutory income tax rate	599	969
Non-deductible expenses	91	76
Non-taxable portion of capital gains	(4)	(15)
Change in tax rates	(97)	-
Benefit arising from previously unrecognized tax loss, tax credit, or temporary difference of a prior period used to reduce deferred tax expense	-	(3,211)
Other	258	(104)
Income tax recovery	847	(2,285)

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The amount of deferred tax assets and liabilities in respect of each type of temporary difference and in respect of each type of unused tax losses and unused tax credits is as follows:

	Dec 31, 2013	Recognized in income tax expense	Recognized in other expenses	Dec 31, 2014	Recognized in income tax expense	Recognized in other expenses	Dec 31, 2015
Deferred tax assets :							
Capital leases	-	79	-	79	42	-	121
Investment tax credits	-	-	1,308	1,308	-	1,461	2,769
Non-capital losses	3,674	2,225	-	5,899	(892)	-	5,007
Research and development expenses	252	77	-	329	829	-	1,158
Share issuance costs	-	67	-	67	(32)	-	35
Other	-	466	-	466	598	-	1,064
Total deferred tax assets	3,926	2,914	1,308	8,148	545	1,461	10,154
Deferred tax liabilities :							
Accounts receivable	(655)	(107)	-	(762)	(97)	-	(859)
Convertible debentures	(27)	8	-	(19)	14	-	(5)
Intangible assets	(145)	(238)	-	(383)	(699)	-	(1,082)
Investment in associate	(154)	(15)	-	(169)	(4)	-	(173)
Investment tax credits	-	(313)	-	(313)	(435)	-	(748)
Property, plant and equipment	(1,530)	51	-	(1,479)	21	-	(1,458)
Total deferred tax liabilities	(2,511)	(614)	0	(3,125)	(1,200)	-	(4,325)
Net deferred tax assets	1,415	2,300	1,308	5,023	(655)	1,461	5,829

23. Operating segments

A description of the Company's business segments, Media-based Attractions, Steel Fabrication Services, Manufactured Products and Corporate are included in note 2. Revenue recognition is not consistent between the segments as all revenues are recognized in the Steel Fabrication services segment and Media-based Attractions segments are recognized in accordance with IAS 11 – Construction Contracts. Revenue recognition in the Manufacturing and Corporate segments is in accordance with IAS 18.

The tables below show the segmented performance for the Group from its four operating segments, Media-based Attractions, Manufactured Products, Steel Fabrication Services and Corporate for the years ended December 31, 2015 and 2014 respectively:

2015	Media- based Attractions	Manufactured Products	Steel Fabrication Services	Corporate	Total
Sales	102,961	20,177	28,148	117	151,403
Cost of goods sold excluding depreciation and amortization	(83,247)	(17,941)	(25,016)	-	(126,204)
Adjusted gross profit ⁽¹⁾	19,714	2,236	3,132	117	25,199
Selling, general and administrative expenses	(8,049)	(2,362)	(3,596)	(3,178)	(17,185)
Adjusted EBITDA ⁽²⁾	11,665	(126)	(464)	(3,061)	8,014
Depreciation and amortization expense	(1,369)	(328)	(409)	(21)	(2,127)
Adjusted EBIT ⁽³⁾	10,296	(454)	(873)	(3,082)	5,887

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2014	Media-based Attractions	Manufactured Products	Steel Fabrication Services	Corporate	Total
Sales	67,754	35,674	37,475	253	141,156
Cost of goods sold excluding depreciation and amortization	(54,043)	(29,576)	(32,798)	(2)	(116,419)
Adjusted gross profit ⁽¹⁾	13,711	6,098	4,677	251	24,737
Selling, general and administrative expenses	(7,274)	(2,691)	(4,077)	(2,692)	(16,734)
Adjusted EBITDA ⁽²⁾	6,437	3,407	600	(2,441)	8,003
Depreciation and amortization expense	(913)	(242)	(381)	(21)	(1,557)
Adjusted EBIT ⁽³⁾	5,524	3,165	219	(2,462)	6,446

(1) Adjusted gross profit excludes depreciation and amortization from cost of sales

(2) Adjusted Earnings before finance costs, depreciation and amortization, other items and income taxes expenses

(3) Adjusted Earnings before finance costs, other items and income taxes

The following table breaks down the sales by geographical region:

	Dec 31, 2015	Dec 31, 2014
Canada	43,413	69,451
United States	36,701	22,332
Asia	52,193	38,669
Middle East/Europe	19,096	10,704
	151,403	141,156

All of the Group non-current assets are located in Canada with the exception of \$786 pf property, plant and equipment located in the United States.

24. Capital disclosure and management

The Group's objective when managing its long-term capital structure is to strive for a long-term manageable level of long-term funded debt to total capitalization. The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares, sell redundant or non-core assets or borrow through the issue of long-term debt.

Funded debt is defined as long term debt including finance leases. Tangible net worth includes shareholder's equity, subordinate debt such as subordinate convertible debentures and limited recourse loans less intangible assets and deferred tax assets. The Group's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. There are external restrictions to capital as lending limits are based on asset availability and financing agreements that are impacted by covenants. Management actively monitors these limits to ensure compliance.

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For the years ended	Dec 31, 2015	Dec 31, 2014
Current portion of long-term debt including finance leases	970	893
Long-term debt including finance leases	1,561	2,223
Funded debt	2,531	3,116
Shareholders' equity	23,660	21,996
Convertible debentures	951	953
Limited recourse loan	984	825
Less: deferred tax assets	(5,829)	(5,023)
Less: intangible assets (net)	(4,444)	(1,983)
Tangible net worth	15,322	16,768
Capitalization	17,853	19,884
Funded debt/Capitalization	14.2%	15.7%

25. Financial instruments and risk management

The following table presents information on the Group's assets and liabilities measured at fair value and discloses the fair value hierarchy of the valuation techniques used to determine this fair value at December 31, 2015:

	Carrying Value	Fair Value	Classification	Level
Cash and equivalents	81	81	FVTPL	1
Accounts receivable	46,197	46,197	Loans & Rec	1
Advances to associate	885	885	Loans & Rec	1
Derivative Financial Instruments	(3,751)	(3,751)	FVTPL	2
Bank indebtedness	(6,391)	(6,391)	FVTPL	1
Accounts payable and accrued liabilities	(22,144)	(22,144)	Other Fin Liab	1
Convertible debentures	(951)	(951)	Other Fin Liab	2
Long-term debt	(2,123)	(2,123)	Other Fin Liab	1
Limited recourse loan	(984)	(984)	Other Fin Liab	2

As at December 31, 2014:

	Carrying Value	Fair Value	Classification	Level
Cash and equivalents	31	31	FVTPL	1
Accounts receivable	40,641	40,641	Loans & Rec	1
Advances to associate	934	934	Loans & Rec	1
Derivative Financial Instruments	(1,625)	(1,625)	FVTPL	2
Bank indebtedness	(9,785)	(9,785)	FVTPL	1
Accounts payable and accrued liabilities	(20,628)	(20,628)	Other Fin Liab	1
Convertible debentures	(953)	(953)	Other Fin Liab	2
Long-term debt	(2,866)	(2,866)	Other Fin Liab	1
Limited recourse loan	(825)	(825)	Other Fin Liab	2

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The fair values of cash and equivalents, accounts receivable (including advances to associate), bank indebtedness and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities. Management has determined that the fair value of long-term debt including finance leases, subordinate convertible debentures and limited recourse loans do not materially differ from its carrying value as the majority of such debt is subject to floating interest rates and current market conditions. The fair value of the derivative financial instruments is determined by reference to information provided by CIBC who the Group holds the contracts with using recognized valuation techniques.

Risk management

In the normal course of its business, the Group is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Group, management considers the avoidance of undue concentrations of risk. The Group manages its risks and risk exposures through a combination of financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The primary types of financial risk which arise are liquidity, credit, and market risk. These risks and the actions taken to manage them are as follows:

Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial obligations associated with financial liabilities in full. A range of alternatives is available to the Group including cash flow provided by operations, additional debt, the issuance of equity or a combination thereof. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Group's foreseeable financial obligations associated with financial liabilities.

The following table summarizes the Group's financial liabilities with corresponding maturity dates as at December 31, 2015:

	Total	2016	2017	2018	2019	2020+
Accounts payable and accrued liabilities	22,144	22,144	-	-	-	-
Deferred revenue from construction contracts	19,590	19,590	-	-	-	-
Bank indebtedness	6,391	6,391	-	-	-	-
Long-term debt	2,573	985	880	708	-	-
Limited recourse loan	984	-	-	-	-	984
Convertible debentures	970	970	-	-	-	-
Derivative financial instruments	3,751	3,324	427	-	-	-
Total	56,403	53,404	1,307	708	-	984

The Group expects to have adequate resources to discharge these financial liabilities. The Group performs a comprehensive budgeting process which includes a detailed analysis of projected future cash flows based upon but not limited to historical experience and backlog reports. This process is subject to sensitivity analysis and is periodically reviewed against recent and past performance.

Credit risk

Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their commitments to the Group. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Group has credit policies to address credit risk on accounts receivable from customers, which may include the analysis of the financial position of customers and review of credit limits. The Group also reviews new customer credit history before establishing credit and periodically reviews existing customer credit performance. The Group may require letters of credit or credit insurance. An allowance for doubtful accounts is established based upon factors surrounding credit risk of specific customers, historical trends and other information. At December 31, 2015, the Group had one individual customer accounting for approximately 25% of total accounts receivable (2014 – 17%) for which the Group has insured to effectively eliminate the credit risk.

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Market risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. There has been no change to the Group's exposure to Market risks in the manner in which these risks are managed or measured. Market risk comprises three types of risk: currency risk, interest rate risk and commodity price risk.

Currency risk

The Group sells its products, as well as, purchases goods in both Canadian and U.S. currencies. Accordingly, the Group is exposed to currency risk as it relates to customer accounts receivable balances and trade accounts payable denominated in U.S. currency. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. The Group may enter into forward exchange contracts or use other hedging activities to manage part of the foreign risk exposures relating to customer accounts receivable balances and trade accounts payable denominated in U.S. currency.

As at December 31, 2015, the Group had USD foreign currency forward contracts for \$38,100 (2014 - \$23,400) at forward rates ranging from \$1.1150 to \$1.3289 maturing monthly through March 31, 2017. The accounts noted below include amounts denominated in U. S. currency that have been converted to the Canadian dollar equivalent on the balance sheet date at a rate of \$1.3840 per U.S. dollar (2014 - \$1.1601):

(In \$000's USD)	Dec 31, 2015	Dec 31, 2014
Cash (bank indebtedness) (bank balance less outstanding cheques)	4,588	4,188
Accounts receivable (including unbilled construction receivables)	22,852	17,577
Accounts payable & accrued liabilities	(6,539)	(2,554)
Foreign currency forward contracts related to above accounts	(38,100)	(23,400)
Net foreign currency exposure	(17,199)	(4,189)

For the year ended December 31, 2015, if the Canadian dollar had strengthened 10% percent against the US dollar with all other variables held constant, net income for the year would have been \$1,720 higher (2014 - \$419 higher). Conversely, if the Canadian dollar had weakened 10% percent against the US dollar with all other variables held constant, net income would have been \$1,720 lower (2014 - \$419 lower).

Included in revenue are gains on translation of foreign currency monetary assets and liabilities and gains on foreign currency transactions of \$1,522 for the year ended December 31, 2015 (2014 - \$1,191).

As at December 31, 2015, the Group has the following forward foreign currency contracts outstanding:

	Nominal Amount	Forward Rate	Fair Value
Forward contracts expiring March 31, 2017	8,100	1.1150	(2,137)
Forward contracts expiring October 31, 2016	30,000	1.3289	(1,614)
	38,100		(3,751)

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The Group's mark to market liability relating for forward foreign currency contracts increased by \$2,126 to \$3,751 as at December 31, 2015. During 2014 the Group's liability increased by \$1,212 to \$1,625 as at December 31, 2014. A fair value liability is created when the actual exchange rate as of the date of these consolidated financial statements is higher than actual or average rates of the forward contracts outstanding. The size of the liability is influenced by the size of the rate differential as well as the total amount of contract outstanding. Inversely, if the actual exchange rate is below the actual or average rates of the forward contracts outstanding a fair value asset will be created.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk primarily through its variable rates on bank operating lines and long term borrowings. The Group manages exposure to interest rate risk by using a combination of fixed and floating rate debt instruments.

For the year ended December 31, 2015, if interest rates had been 50 basis points lower with all other variables held constant, after-tax net income for the period would have been \$72 (2014 - \$64) higher, arising mainly as a result of lower interest expenses on variable borrowings. If interest rates had been 50 basis points higher, with all other variables held constant, after-tax net income would have been \$72 (2014 - \$64) lower, arising mainly as a result of higher interest expenses on variable borrowings.

Commodity price risk

Manufacturing costs for the Group's products are affected by fluctuations in the price of raw materials, primarily steel. In order to manage its risk, the Group implements selling price adjustments in order to match raw material cost changes. This matching is not always possible as customers react to selling price pressures related to raw material cost fluctuations according to conditions pertaining to their markets. For long term contracts, the Group may negotiate the inclusion of a flow through price adjustment clause into contracts whereby the customer agrees to price changes based on the underlying market value of steel. In order to limit the risk associated with steel price increases, the Group locks in order prices to the extent possible as soon as contracts are awarded.

The sensitivity analyses in the currency risk and interest rate risk sections above do not take into consideration that the Group's liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs or be mitigated by management's actions to reduce exposure to risks. Other limitations in the above sensitivity analyses includes the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

26. Related parties

The Group had sales to an Associate in the amount \$259 (2014 - \$190), \$60 of which were management fees (2014 - \$160) and purchases from an associate of \$4,184 (2014 - \$4,188). Also, the Group had \$84 of interest expense on convertible debentures paid or payable to related parties who were individual debenture holders (2014 - \$91). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. Compensation awarded to key management included:

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	Dec 31, 2015	Dec 31, 2014
Salary and short-term employee benefits	2,339	3,077
Post-employment benefits	74	23
Share-based payments	17	220
	2,430	3,320

These are wholly owned subsidiaries of the Group.

	Jurisdiction/ Functional Currency	Ownership (%)	Main Activity
Empire Iron Works Ltd.	CAN/CAD	100%	Industrial steel engineering and manufacturing
Dynamic Attractions Ltd.	CAN/CAD	100%	Media-based attraction integrator
Dynamic Attractions Inc.	US/USD	100%	Retail Sales
1366377 Texas Inc.	US/USD	100%	Holding Company
Dynamic Optics Inc.	CAN/CAD	100%	Holding Company
1868480 Alberta Ltd.	CAN/CAD	100%	Holding Company

27. Subsequent events

On February 1, 2016 the Group announced its proposal to complete transactions whereby the Group will spin-out (the "Spin-Out Transaction") to a new corporation ("SpinCo"), its wholly-owned Hydrovac business including all of the tangible and intangible assets, employees and operations of Tornado Trucks, a division of the Group. The Group also announced that, SpinCo has closed a private placement of subscription receipts for aggregate gross proceeds of \$7,500. If the Spin-Out Transaction is completed, the aggregate gross proceeds of the subscription receipt private placements will be used as working capital of SpinCo and a wholly-owned subsidiary of SpinCo to be organized in China to carry on the Hydrovac business of SpinCo in China.

Subject to legal, tax and financial review, the Group proposes to complete a court approved plan of arrangement (the "Arrangement") under the Business Corporations Act (Alberta) pursuant to which The Group will spin-out working capital and fixed assets of the Hydrovac Business to SpinCo (the "Spin-Out Assets"), which assets shall have a value of no less than \$6,000. In consideration of the Spin-Out Assets, Shareholders of the Group will receive shares of SpinCo ("SpinCo Shares") representing 54.5% of the issued and outstanding shares of SpinCo and the Group will receive a subordinated loan in a principal amount equal to the difference between the value of the Spin-Out Assets and \$3,500 (the "Group Loan"), which amount is anticipated to be approximately \$3,000. The Group Loan will bear interest at a rate of 2.7% per annum, payable annually for a term of 7 years. Principal will be payable in an amount of \$20 per month for the first 5 years of the term with lump sum payments of approximately \$900 payable on the sixth and seventh anniversaries of the closing of the Arrangement. The Group Loan will be secured by all personal property of SpinCo and subordinated to SpinCo's principal lender and convertible into equity of SpinCo under certain conditions including but not limited to, a default of the terms of the Group Loan that has not been remedied within 60 days and the approval of the TSX Venture Exchange (the "Exchange"). The conversion price of the Group Loan will be equal to the volume weighted average trading price of the SpinCo Shares for the 30 days ending on the fifth trading day preceding conversion.

The Group did not classify the assets associated with proposed transaction as held for sale at the date of these consolidated financial statements as the Group concluded that the high probability requirement of IFRS 5 was not met as of December 31, 2016.

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28. Guarantees and contingencies

Loan guarantees

The Group is contingently liable under one guarantee given to a third-party lender who has provided certain financing facilities to associated investments. As at December 31, 2015, the maximum amount of fixed guarantees provided to a third-party lender on behalf of an affiliated company is \$481 (2014 - \$822). No liability has been recorded in these consolidated financial statements related to these guarantees.

Letters of Credit

In the normal course of business, the Group contracted letters of credit for an amount of \$6,066 USD as at December 31, 2015 (2014 - \$2,989). The Group has a guarantee facility with Export Development Canada to guarantee letters of credit for performance security and advance payment guarantees issued by the Group on international construction contracts. The total value of letters of credit disclosed above are guaranteed by this facility. As at December 31, 2015, the limit on the facility was \$10,000 USD and is secured by a general security agreement providing second security interests in all of the Group's present and after-acquired property.

Director and officer indemnification

The Group indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Group to the extent permitted by law. The Group has acquired and maintains liability insurance for its directors and officers as well as those of its wholly-owned subsidiaries and certain affiliated companies.

Other indemnification provisions

From time to time, the Group enters into agreements in the normal course of operations and in connection with business or asset acquisitions and dispositions. By their nature, these agreements may provide for indemnification of counterparties. The varying nature of these indemnification agreements prevents the Group from making a reasonable estimate of the maximum potential amount it could incur. Historically, the Group has not made any significant payments in connection with these indemnification provisions.

Other contingencies

The Group is subject to various product liability or general claims and legal proceedings covering matters that arise in the ordinary course of business. All such matters are adequately covered by insurance or by accruals, or are determined by management to be without merit, or of such kinds or amounts as would not have a material adverse effect on the financial results of the Group.



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