EMPIRE INDUSTRIES LTD

1Q15

Management's Discussion & Analysis

For the 3 month period ending March 31, 2015

Consolidated Financial Statements

For the 3 month period ending March 31, 2015

Unaudited

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, 2014. Reference should also be made to the annual MD&A for the year ended December 31, 2014.

The interim consolidated financial statements and accompanying notes of the Group for the period ended March 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 period relates to the Group's three-month ended March 31. All amounts are reported in Canadian dollars unless specifically stated to the contrary.

The Board of Directors, on the recommendation of the Audit Committee, approved the contents of this MD&A on May 20, 2015. 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 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 March 31	Quarter ended		
	2015 $	2014 $	Variance $
Operating Results:			
Revenues	33,209	33,708	(499)
Adjusted gross margin	5,274	6,044	(770)
Adjusted gross margin %	15.9%	17.9%	(2.0%)
Adjusted EBITDA	1,512	2,370	(858)
Adjusted EBITDA %	4.6%	7.0%	(2.4%)
Adjusted EBIT	1,147	2,053	(906)
Adjusted EBIT %	3.5%	6.1%	(2.6%)
Net income (loss)	(885)	1,211	(2,096)
Per share data:			
Profit (loss) per share (Basic)	(0.003)	0.005	(0.008)
Profit (loss) per share (Diluted)	(0.003)	0.005	(0.008)

1Q15 Overview

The quarter ended March 31, 2015 yielded a decline in revenue of 1.5% compared to the period ended March 31, 2014. The Group experienced a 45% decline in revenues from its manufactured products segment as well as 8.3% reduction from its media-based attractions segment over the comparative period. Offsetting those revenue reductions was an increase of 111% of revenues from the Group's steel fabrication services operating segment over the comparative period.

The Group's Adjusted Gross Margin decreased to 15.9% in the period from 17.9% in the same period of 2014. Factors impacting Adjusted Gross Margin were as follows:

- Business mix
- Strengthening US Dollar, and
- Impact of declining oil prices on the Western Canadian economy.

The Group's Adjusted EBITDA decreased by 36.2% to $1.5 million in the period as compared to $2.4 million in comparative period. The Group's net loss of $0.9 million in the period was driven by a $1.9 million unrealized loss recorded as a result of marking to market foreign currency forward instruments outstanding as of March 31, 2015.

The Group recorded an unrealized loss of $1.9 million in the quarter as compared to an unrealized loss of $0.6 million in the comparative period relating to outstanding forward foreign currency instruments. This unrealized loss resulted from the significant decline in the Canadian dollar incurred during the period as compared to the exchange rates negotiated in the underlying contracts. All forward contracts and instruments outstanding at March 31, 2015 ($24.3 million) are set to expire by the end of 2015. The actual loss or gain that will be realized will be dependent on the prevailing rates when each of the underlying contracts is settled.

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 the next 36 months.

Subsequent Significant Events

- On April 6, 2015, the Prime Minister of Canada issued a press release that announced; "the Government of Canada's intention to provide significant support to the Thirty Meter Telescope (TMT), an international project that will build one of the world's largest and most advanced astronomical observatories in Hawaii. The majority of the Government's support for the TMT will be spent in Canada, creating high quality jobs to the construction an assembly of key telescope components, including a precision enclosure by Dynamic Structures based in Port Coquitlam, British Columbia." The detailed terms and conditions of Dynamic Structure's TMT enclosure contract are in the process of being finalized and the Company expects to announce these details in the next few months.
- 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 the next 36 months.

Selected Quarterly Financial Information

Quarterly Financial Information	2015	2014	2014	2014	2014	2013	2013	2013
For the quarters ended	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	33,209	36,124	36,522	34,912	33,708	31,495	34,120	28,400
Adjusted EBITDA	1,512	1,847	2,263	1,523	2,370	1,192	2,090	1,506
Profit (loss)	(885)	2,472	732	1,649	1,211	726	1,625	990
Profit (loss) per share								
Basic	(0.003)	0.008	0.005	0.005	0.005	0.005	0.005	0.005
Diluted	(0.003)	0.007	0.005	0.005	0.005	0.005	0.005	0.005

Liquidity and Capital Resources

Liquidity

For the period ended March 31, 2015, the Group's operations generated $0.3 million of cash, compared with $1.6 million of cash in the comparative period 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 $11.9 was drawn as of March 31, 2015. The Group's marginable assets at March 31, 2015 were $19.1 million, which is $7.2 million in excess of the Group's total draw on the operating line.

The Group made $0.2 million of cash principal repayments during the period. Total long-term debt of $4.7 million as at December 31, 2014 consisted of $2.7 million of term debt with CIBC, $0.3 million under finance leases, $0.8 million of a limited recourse loan and $0.9 million of subordinated convertible debentures.

Shareholders' Equity

Shareholders' equity of $21.1 million at March 31, 2015 is $0.9 million less than the shareholders' equity at December 31, 2014 due to the net loss in the period. No dividends were declared or paid in the period. The Group maintains a stock option plan for the benefit of officers, directors, key employees and consultants of the Group. The Group had 22,760,000 outstanding options at March 31, 2015. The average exercise price of the outstanding options is $0.095 per share. Of these options, 22,093,333 are currently exercisable at an average exercise price of $0.095 per share.

Market Capitalization

The market capitalization of the Group's 259,336,473 issued and outstanding common shares at May 22, 2015 was $38.9 million or $0.15 per share, which is in excess of the Group's book value per share of $0.08 at March 31, 2015. The issued and outstanding common shares at May 22, 2015, together with securities convertible into common shares are summarized in the table below.

Fully Diluted Shares

As at May 22, 2015

Issued and outstanding common shares		259,336,473
Securities convertible into common shares		
Convertible Debentures	9,700,000	
Warrants	27,700,000	
Stock Options	21,960,000	
Total Securities convertible into common shares		59,360,000
Fully Diluted Shares		318,696,473

Financial Ratios

The following information is based on the data disclosed in Note 11 (Capital Disclosures and Management) from the 2015 interim consolidated financial statements:

For the periods ended	March 31, 2015 $	December 31, 2014 $	March 31, 2014 $
Current portion of long-term debt	882	893	826
Long-term debt	2,034	2,223	2,673
Funded debt	2,916	3,116	3,499
Shareholders' equity	21,146	21,996	16,619
Convertible debentures	953	953	957
Limited recourse loan and subordinate note payable	825	825	756
Less: deferred tax assets	(5,298)	(5,023)	(1,415)
Less: intangible assets	(2,092)	(1,983)	(862)
Tangible net worth	15,534	16,768	16,055
Capitalization	18,450	19,884	19,554
Funded debt : Capitalization	15.8%	15.7%	17.9%

Adjusted Working Capital	March 31, 2015 $	December 31, 2014 $	March 31, 2014 $
Current assets	54,201	48,504	35,392
Current liabilities	49,984	42,299	28,288
Less: current portion of convertible debentures	(491)	-	-
Less: forward currency forward instruments	(3,512)	(1,625)	(1,034)
Adjusted current liabilities	45,981	40,674	27,254
Adjusted working capital	8,220	7,830	8,138
Adjusted working capital ratio	1.18	1.19	1.30

The Group's leverage ratio increased to 15.8% from 15.7% at December 31, 2014 but has declined from 17.9% at March 31, 2014. The Group's adjusted working capital ratio of 1.18 is reduced from the December 31, 2014 ratio of 1.19 and 1.30 at March 31, 2015 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 March 31	Quarter ended		
	2015 $	2014 $	Variance $
Operating Results:			
Revenues	18,985	20,703	(1,718)
Adjusted gross margin	3,708	3,769	(61)
Adjusted gross margin %	19.5%	18.2%	1.3%
Adjusted EBITDA	2,140	2,270	(130)
Adjusted EBITDA %	11.3%	11.0%	0.3%
Adjusted EBIT	1,916	2,092	(176)
Adjusted EBIT %	10.1%	10.1%	-%

1Q15 Overview

Revenues for the operating segment decreased by 8.3% to $19.0 million in the period ended March 31, 2015 compared to the same period 2014. Consistent with the fourth quarter of 2014, the decline in revenues was due largely to a transition phase in production experienced in the current period through the comparative period. The timing of completion of certain projects and the commencement of new contracts was staggered such that the segment was not operating at consistent production levels as it was in the comparative period, resulting in the decline. Offsetting the decline from a volume perspective was the strength of USD in the period.

The segment's Adjusted Gross Margin increased by 1.3% to 19.5% in the period as the segments margins were positively impacted by the strengthening US Dollar for which substantially all of its revenues are negotiated in.

Selling, general and administrative expenses was consistent with the comparative period.

Adjusted EBITDA declined by $0.1 million as a result of the factors discussed above. Adjusted EBIT decreased $0.2 million the comparative period as a result of increased amortization expense resulting from the recognition of intangible assets by the segment.

Manufactured Products

Periods ended March 31	Quarter ended		
	2015 $	2014 $	Variance $
Operating Results:			
Revenues	4,625	8,441	(3,816)
Adjusted gross margin	583	1,718	(1,135)
Adjusted gross margin %	12.6%	20.4%	(7.8%)
Adjusted EBITDA	(136)	1,094	(1,230)
Adjusted EBITDA %	(2.9%)	13.0%	(15.9%)
Adjusted EBIT	(181)	1,049	(1,230)
Adjusted EBIT %	(3.9%)	12.4%	(16.3%)

1Q15 Overview

Revenues for the segment decreased 45% over the comparative period to $4.6 million in the period. The decrease in revenue was a direct result of the reduced demand for the segment's Hydrovac Trucks driven by the rapid and significant decrease in oil prices. The decline in oil prices has had a significant impact on the economy in Western Canada as capital investment and discretionary spending was significantly reduced. The segment had a number of cancelled orders and is now experiencing significantly increased competition in the marketplace for the current demand levels.

Adjusted Gross Margin percentage declined 7.8% from the comparative period. This decrease was a result of a significant reduction in revenue volumes without a corresponding reduction in fixed or committed overhead expenditures. The segment has heavily downsized its production capacity to reflect lower production levels and current projected demand levels, however much of that was done over the course the period.

Selling and administrative expenses increased by $0.1 million over the comparative period. The segment had increased its fixed cost investment during the prior year as production capacity and demand levels were high. Consistent with the fixed production expenses, the segment has downsized its administration capacity to reflect lower production levels and current projected demand levels, again much of which has been completed over the course of the period.

Adjusted EBITDA and Adjusted EBIT decreased by $1.2 million as a result of factors discussed above.

Steel Fabrication

Periods ended March 31	Quarter ended		
	2015 $	2014 $	Variance $
Operating Results:			
Revenues	9,584	4,532	5,052
Adjusted gross margin	968	525	443
Adjusted gross margin %	10.1%	11.6%	(1.5%)
Adjusted EBITDA	79	(432)	511
Adjusted EBITDA %	0.8%	(9.5%)	10.3%
Adjusted EBIT	(12)	(521)	509
Adjusted EBIT %	(0.1%)	(11.5%)	11.4%

1Q15 Overview

Revenues increased by 111% to $9.6 million in the period as compared to the same period in 2014. The segment was experiencing a very slow period in the same period of 2014.

Adjusted Gross Margins decreased by 1.5% to 10.1% in the period as the segment continues to experience challenges on certain elements of their contracts requiring its margin projections at completion to be reduced.

Selling and administrative expenses increased by $0.1 million over the comparative period. The increase in selling and administrative expenses as discussed above was expected given the increase in volume over the comparative period.

Adjusted EBITDA improved to $0.1 million in the current period compared to a loss of $0.4 million in the comparative period.

Corporate (non-operating)

Periods ended December 31	Quarter ended		
	2014 $	2013 $	Variance $
Operating Results:			
Revenues	15	32	(17)
Adjusted gross margin	15	32	(17)
Adjusted EBITDA	(571)	(562)	(9)
Adjusted EBIT	(576)	(567)	(9)

1Q15 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 were consistent with the comparative period of 2014.

Adjusted EBITDA and Adjusted EBIT were consistent with the comparative period of 2014.

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 2015 as a result of the following:

- The media based attractions group will continue to execute its record backlog of high value added products. As the segment continues to build multiple new products concurrently, it is anticipated that there will still be some challenges from an earned revenue and profit perspective in the near term which is also expected to improve as second generation products get produced that take advantage of the learning curve associated with the first generation products;
- A weak Canadian dollar will positively impact profit margins because the media based attractions are all sold predominantly in US dollars. To the best of abilities and capacity the Group hedges its net US dollar exposure so as to manage to planned results;
- Dynamic Structures must first finalize the contract to build the thirty meter telescope enclosure and after complete, move aggressively into the design and procurement planning phase of manufacturing during 2015. Disruptions in site construction activities will not have any effect on our operational activities in British Columbia.
- The Group has increased its backlog to $ 195 million, up from $155 million as of the Group's year-end 2014 report. This excludes any amount for the thirty meter telescope because the contract has not been finalized yet;
- The Group's Chinese associate investment in Guangdong Province is increasing the amount of work it is performing for Empire, positively impacting Empire's margins.

The Group has been challenged to respond quickly to the negative affect that the significant reduction in oil and gas prices has had on reducing capital expenditures in Western Canada, especially in the oil sands market. Therefore, the Company's operating performance in 2015 is expected to be impacted negatively in 2015 compared to 2014 as a result of the following:

- The Group's Hydrovac truck manufacturing operation has seen its backlog reduced dramatically, its forecasted monthly throughput reduced, its sales price per truck reduced and margins reduced correspondingly. The segment is expanding its sales focus to include exports to the United States to partially offset the decline in demand experienced in Western Canada due to the decline in oil prices.
- The Group's steel fabrication operations is expected to see increased competition in the industrial, commercial and institutional market of Alberta. The segment is pursuing opportunities that deploy some of our fabricated steel from our Chinese associate investment into Empire's steel supply chain in Western Canada, increasing its cost competitiveness in a market demanding cost reductions to compensate for lower oil prices.
- Our associate investment in Fort McMurray is predominantly focused on maintenance expenditures, not construction capital expenditures, so we expect to see continued, moderate profitability from this operation.

Overall

The Company has successfully repositioned itself into higher margin and higher growth, media based attractions and is very focused on executing its record level of backlog while continuing to drive its sales efforts in the global media based attractions market. The Group will continue to shelter its profits from tax through the use of its $5.0 million of Deferred Tax Asset. It expects its balance sheet to strengthen throughout the year as its equity increases and its debt decreases.

The Group continues to assess strategic initiatives in the hydrovac operation and its fabricated steel supply chain with the view to generating a much better return on its assets deployed in these two businesses.

The Group expects the balance of 2015 to realize improvements in the media based attractions segment and these gains are expected to offset the negative outlook for our manufactured products and steel fabrication operations.

Non-IFRS Methods

In this MD&A, the Group uses four financial management metrics that are not in accordance with IFRS "Adjusted earnings (loss) before interest, tax, depreciation and amortization (Adjusted EBITDA)", "Adjusted earnings (loss) before interest and tax (Adjusted EBIT)", "Adjusted working capital" 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. Adjusted working capital does not take into account current portions of convertible debentures and foreign currency forward instruments. 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, Adjusted Working Capital and Adjusted Gross Margin may differ from those definitions used by other companies.

While not IFRS measures, Adjusted EBITDA, Adjusted EBIT, Adjusted working capital 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.

Calculation of Adjusted Gross Margin

Periods ended March 31	**Quarter ended**		
	2015	**2014**	**Variance**
($000's, except for percentages)	**$**	**$**	**$**
Revenues	33,209	33,708	(499)
Cost of sales excluding depreciation and amortization	(27,935)	(27,664)	(271)
Adjusted gross margin	5,274	6,044	(770)
% of revenue	15.9%	17.9%	(2.0%)

Reconciliation of Profit (loss) to Adjusted EBITDA

Periods ended March 31	Quarter ended		
	2015	2014	Variance
($000's, except for per share amounts)	$	$	$
Profit (loss) – continuing operations before taxes	(885)	1,211	(2,096)
Add: Depreciation and amortization	365	317	48
Add: Finance costs	263	220	43
Add/Deduct Share of profit of associate	123	(6)	129
Add/Deduct Fair value changes of foreign currency option contracts	1,886	620	1,266
Add: non cash stock-based compensation	35	8	27
Add/Deduct Deferred income tax recoveries	(275)	-	(275)
Adjusted EBITDA – continuing operations	1,512	2,370	(858)

Calculation of Adjusted EBIT

Periods ended December 31	Quarter ended		
	2015	2014	Variance
($000's, except for percentages)	$	$	$
Adjusted EBITDA	1,512	2,370	(858)
Less: Depreciation and amortization	(365)	(317)	(48)
Adjusted EBIT	1,147	2,053	(906)
% of revenue	3.5%	6.1%	(2.6%)

1st Quarter

Consolidated Financial Statements

For the 3 month period ending March 31, 2015

Unaudited

NOTICE TO READER

These interim consolidated financial statements have been prepared by the Management of Empire Industries Ltd. and have not been audited or reviewed by an external auditor.

1Q15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the three months ended March 31	Notes	2015	2014
(In $000's CAD, except per-share amounts)		$	$
Revenues *(1)*		**33,209**	33,708
Cost of sales, excluding depreciation and amortization *(2) (3)*	**5**	**(27,935)**	(27,664)
Gross Profit, excluding depreciation and amortization		**5,274**	6,044
Selling and administrative expenses	**6**	**(3,762)**	(3,674)
Result before depreciation, amortization and other items of income (loss)		**1,512**	2,370
Depreciation of property, plant and equipment		**(230)**	(239)
Amortization of intangible assets		**(135)**	(78)
Result before other items of income (loss)		**1,147**	2,053
Share of profit (loss) from associates		**(123)**	6
Stock-based compensation		**(35)**	(8)
Finance costs	**7**	**(263)**	(220)
Unrealized loss on derivative financial instruments	**8**	**(1,886)**	(620)
Other non-operating income		**—**	—
		(2,307)	(842)
Net income (loss) from operations before tax		**(1,160)**	1,211
Income tax (expense) recovery			
Current		**—**	—
Deferred		**275**	—
		275	—
Net income (loss) and comprehensive income (loss)		**(885)**	1,211
Income per share - basic and diluted	**9**	**(0.003)**	**0.005**

(1) Included in revenue are foreign exchange gains of $628 for the period ended March 31, 2015 (2014 - $737)
(2) Cost of sales including depreciation and amortization was ($28,231) for the year ended March 31, 2015 (2014 - $27,874)
(3) Included in costs of sales excluding depreciation and amortization are foreign exchange losses of $345 (2014 - $110)

See accompanying notes

EMPIRE INDUSTRIES LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	Notes	31-Mar-15	31-Dec-14	31-Mar-14
(In $000's CAD)			$	$
ASSETS				
Current assets				
Cash and cash equivalents		—	31	—
Accounts receivable	3	45,439	40,641	28,036
Inventory		7,770	6,908	6,089
Prepaid expenses and other assets		992	924	1,267
Total current assets		54,201	48,504	35,392
Non-current assets				
Property, plant and equipment and investment property, net		10,227	9,790	8,693
Intangible assets, net		2,092	1,983	862
Other non-current assets		98	98	179
Investment in associate		1,841	1,964	1,860
Advances to associate		694	934	892
Deferred tax assets		5,298	5,023	1,415
Total non-current assets		20,250	19,792	13,901
Total assets		74,451	68,296	49,293
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness		11,877	9,785	4,302
Accounts payable and accrued liabilities		22,046	20,628	15,821
Deferred revenue from construction contracts	4	11,176	9,353	6,305
Current income taxes payable		—	15	—
Current portion of long-term debt		882	893	826
Current portion of convertible debentures		491	—	—
Foreign currency forward intruments		3,512	1,625	1,034
Total current liabilities		49,984	42,299	28,288
Non-current liabilities				
Long-term debt		2,034	2,223	2,673
Limited recourse loan and subordinate notes payable		825	825	756
Convertible debentures		462	953	957
Total non-current liabilities		3,321	4,001	4,386
Total liabilities		53,305	46,300	32,674
SHAREHOLDERS' EQUITY				
Share capital		7,798	7,798	7,408
Equity component of convertible debentures		151	151	157
Contributed surplus		3,599	3,564	3,424
Retained earnings (deficit)		9,598	10,483	5,630
Total shareholders' equity		21,146	21,996	16,619
Total liabilities and shareholders' equity		74,451	68,296	49,293

Guarantees and contingencies *[note 13]*

See accompanying notes

On behalf of the Board of Directors:

"Ian Macdonald"
Director

"Guy Nelson"
Director

As at March 31, 2015

(In $000's CAD)	Share capital $	Equity component of convertible debentures $	Contributed surplus $	Retained earnings (deficit) $	Total equity $
As at December 31, 2014	7,798	151	3,564	10,483	21,996
Net income for the year	—	—	—	(885)	(885)
Stock-based compensation	—	—	35	—	35
As at March 31, 2015	7,798	151	3,599	9,598	21,146

As at March 31, 2014

(In $000's CAD)	Share capital $	Equity component of convertible debentures $	Contributed surplus $	Retained deficit $	Total equity $
As at December 31, 2013	7,343	157	3,416	4,419	15,335
Net income for the period	—	—	—	1,211	1,211
Proceeds received from exercise of warrants	65	—	—	—	65
Stock-based compensation	—	—	8	—	8
As at March 31, 2014	7,408	157	3,424	5,630	16,619

See accompanying notes

EMPIRE INDUSTRIES LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In $000's CAD, except per-share amounts)	Three months ended March 31 2015	2014
	$	$
OPERATING ACTIVITIES		
Net income from continuing operations	**(885)**	**1,211**
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	**230**	239
Amortization of intangible assets	**135**	78
Amortization of deferred financing charges	**6**	24
Loss (gain) on sale of property, plant and equipment	—	—
Non-cash component of interest expense	—	51
Share of (profit) loss from associate investments	**123**	(6)
Non-cash interest income earned	—	(17)
Unrealized foreign currency translation gains	**(927)**	(627)
Stock-based compensation	**35**	8
Fair value changes on foreign currency forward contracts on options	**1,886**	620
Deferred income taxes	**(275)**	—
Cash flow from continuing operations	**328**	**1,581**
Net change in non-cash working capital balances	**(1,669)**	1,525
Cash flow (used in) from operating activities	**(1,341)**	**3,106**
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment *(note 9)*	**(667)**	(114)
Repayment in advances from associate	**240**	—
Recognition of intangible assets *(note 8)*	**(244)**	(205)
Cash flow used in investing activities	**(671)**	**(319)**
FINANCING ACTIVITIES		
Proceeds from shares issued from warrants exercised	—	**65**
Repayment of long term debt	**(200)**	(207)
Cash flow from (used in) financing activities	**(200)**	**(142)**
Effect of translation of foreign currency cash and equivalents	**89**	196
Net (decrease) increase in cash and equivalents during the period	(2,123)	2,841
Cash and cash equivalents, beginning of period	**(9,754)**	(7,143)
Cash and cash equivalents, end of period	**(11,877)**	(4,302)
Supplementary cash flow information		
Interest Paid	**207**	145
Cash taxes (paid) recovered	**(15)**	—
Cash and cash equivalents is comprised of:		
Cash	—	—
Bank indebtedness	(11,877)	(4,302)
	(11,877)	**(4,302)**

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 May 19, 2015 and were approved and authorized for issue by the Board of Directors on May 20, 2015.

2. Summary of significant accounting policies

The interim consolidated financial statements are condensed and have been prepared in accordance with International Account Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as disclosed in the Company's consolidated financial statements for the year ended December 31, 2014. The Group's 2015 annual consolidated financial statements include incremental annual IFRS disclosures that may be helpful to readers of the interim results and therefore should be read in conjunction with these interim consolidated financial statements.

Basis of presentation

The consolidated financial statements are prepared for the period ended March 31, 2015 and include the results for the comparative period ended March 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").

Use of estimates

Accounting measurements at interim dates inherently involve a greater reliance on estimates than at year-end. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments of a normal recurring nature to present fairly, the consolidated financial position of the Group as at March 31, 2015.

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

3. Accounts receivable

	March 31, 2015 $	December 31, 2014 $	March 31, 2014 $
Trade	17,190	15,645	12,098
Unbilled construction contract receivables (note 4)	26,987	24,065	15,695
Associates and other related parties	100	100	100
Other receivables	1,169	838	238
Allowance for doubtful accounts	(7)	(7)	(95)
	45,439	**40,641**	**28,036**

Holdbacks included in trade receivables are $4,337 as at March 31, 2015 (December 31, 2014 - $2,929 – March 31, 2014 - $1,766).

4. Construction contracts

	March 31, 2015 $	December 31, 2014 $	March 31, 2014 $
Construction costs incurred, and estimated profits less recognized losses to date	165,094	140,873	126,718
Less: Progress billings	(149,283)	(126,161)	(117,328)
	15,811	**14,712**	**9,390**
Items recognized and included in the financial statements as:			
Unbilled construction contract receivables (note 3)	26,987	24,065	15,695
Deferred revenue from construction contracts	(11,176)	(9,353)	(6,305)
	15,811	**14,712**	**9,390**

5. Cost of sales

	March 31, 2015 $	March 31, 2014 $
Direct construction costs	(23,896)	(24,038)
Indirect salaries and benefits	(1,905)	(2,343)
Indirect production costs	(2,134)	(1,283)
	(27,935)	**(27,664)**

6. Selling and administrative expenses

	March 31, 2015 $	March 31, 2014 $
Salaries and benefits	(2,411)	(2,066)
General, selling and administrative expenses	(1,320)	(1,502)
Research expenditures	(31)	(106)
	(3,762)	**(3,674)**

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

7. Finance costs

	March 31, 2015 $	March 31, 2014 $
Interest on long-term borrowings	(82)	(85)
Interest on short-term borrowing and other	(175)	(111)
Deferred financing charges	(6)	(24)
	(263)	**(220)**

8. Foreign currency forward contracts and options

The Group utilizes forward currency contracts and options to provide protection against foreign exchange rate movements on long-term sales contracts. The Group's policy is to not utilize derivative financial instruments for trading or speculative purposes. During the quarter, the Group recorded unrealized mark-to market losses on foreign currency forward contracts and options of $1,886 (2014 - $620). As at March 31, 2015 the Group recorded a liability associated with the unrealized mark-to market loss on foreign currency forward contracts and options of $3,512 (2014 – December $1,625, March - $1,034).

9. Income per share

Income per share for the three months ended March 31:

	March 31, 2015 $	March 31, 2014 $
Net income attributable to shareholders	(885)	1,211
Effect of diluted securities on net income		
Net income from assumed debenture conversion	-	-
Diluted net income attributable to shareholders	(885)	1,211
Basic weighted average number of shares	258,236,473	253,889,608
Effect of dilutive securities		
Net incremental dilutive shares	-	18,728,385
Diluted weighted average number of shares	258,236,473	272,617,993
Net earnings per share		
Basic	**(0.003)**	**0.005**
Diluted	**(0.003)**	**0.005**

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. The effect of potentially dilutive securities ("in-the-money" warrants, options and convertible debentures) are excluded if they are anti-dilutive.

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

10. Operating segments

The tables below show the segmented performance for the Group from its three operating segments, Media-based Attractions, Manufactured Products, Steel Fabrication Services and its Corporate non-operating segment for three months ended March 31, 2015 and 2014 respectively:

2015	Media-based Attractions $	Manufactured Products $	Steel Fabrication Services $	Corporate $	Total $
Sales	18,985	4,625	9,584	15	**33,209**
Cost of goods sold excluding depreciation and amortization	(15,277)	(4,042)	(8,616)	-	**27,935**
Adjusted gross profit (1)	3,708	583	968	15	**5,274**
Selling, general and administrative expenses	(1,568)	(719)	(889)	(586)	**(3,762)**
Adjusted EBITDA (2)	2,140	(136)	79	(571)	**1,512**
Depreciation and amortization expense	(224)	(45)	(91)	(5)	**(365)**
Adjusted EBIT (3)	1,916	(181)	(12)	(576)	**1,147**

2014	Media-based Attractions $	Manufactured Products $	Steel Fabrication Services $	Corporate $	Total $
Sales	20,703	8,441	4,532	32	**33,708**
Cost of goods sold excluding depreciation and amortization	(16,934)	(6,723)	(4,007)	-	**(27,664)**
Adjusted gross profit (1)	3,769	1,718	525	32	**6,044**
Selling, general and administrative expenses	(1,499)	(624)	(957)	(594)	**(3,674)**
Adjusted EBITDA (2)	2,270	1,094	(432)	(562)	**2,370**
Depreciation expense	(178)	(45)	(89)	(5)	**(317)**
Adjusted EBIT (3)	2,092	1,049	(521)	(567)	**2,053**

(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

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

11. 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.

As at the periods ended	March 31, 2015 $	December 31, 2014 $	March 31, 2014 $
Current portion of long-term debt including finance leases	882	893	826
Long-term debt including finance leases	2,034	2,223	2,673
Long-term funded debt	2,916	3,116	3,499
Shareholders' equity	21,146	21,996	16,619
Convertible debentures	953	953	957
Limited recourse loan and subordinate note payable	825	825	756
Less: deferred tax assets	(5,298)	(5,023)	(1,415)
Less: intangible assets (net)	(2,092)	(1,983)	(862)
Tangible net worth	15,534	16,768	16,055
Capitalization	18,450	19,884	19,554
Long-term funded debt : Capitalization	15.8%	15.7%	17.9%

12. Comparative figures

In the current period, the Group has made changes in the presentation of certain items reported in its consolidated statement of comprehensive income and consolidated statement of cash flows. The purpose of these reclassifications is to provide more transparent disclosures to the users of the Group's financial statements.

In the Group's consolidated statement of comprehensive income (loss), the Group has reclassified $110 originally netted against sales to cost of sales excluding depreciation and amortization representing foreign exchange losses on cost of sales amounts. This allows the Group to separately show the foreign exchange impact of cost of sale items and revenue items in the consolidated statement of comprehensive income (loss).

In the Group's consolidated statement of cash flows, the Group has reclassified translations gains of both its cash balances and non-cash working capital balances separately in the cash flow statement at a combined total of $627 with $196 relating the cash and equivalents and $431 relating non-cash working capital accounts. This allows the

Group to separately disclose the impact that changes in foreign exchange rates have on the group's working capital accounts.

In the Group's consolidated statement of comprehensive income (loss), the Group separate discloses research expenditures in selling and administrative expenses. In the comparative period, the Group was not separately disclosing this amount. Therefore to be consistent with the current period presentation, the Group has reclassified $75 from cost of sales excluding depreciation and amortization to selling and administrative expenses and then separately identified $106 as research expenditures in note 6 of its consolidated financial statements.

13. 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 March 31, 2015, the maximum amount of fixed guarantees provided to a third-party lender on behalf of an affiliated company is $356 ($822 as at December 31, 2014 and $1,472 as at March 31, 2014).

Letters of Credit

In the normal course of business, the Group contracted letters of credit for an amount of up to $5,424 USD as at March 31, 2015 ($2,989 as at December 31, 2014 and $2,243 as at March 31, 2014). 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 March 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.