



3Q14

Management's Discussion & Analysis

For the 3 and 9 month periods ending September 30, 2014

Consolidated Financial Statements

For the 3 and 9 month periods ending September 30, 2014

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, 2013. Reference should also be made to the annual MD&A for the year ended December 31, 2013.

The interim consolidated financial statements and accompanying notes of the Group for the periods ended September 30, 2014 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 September 30. 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 November 26, 2014. 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 Victoria, BC, 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.
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.



In addition to these wholly owned operating segments, the Group holds significant equity interests in two 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 September 30 (\$'000's, except for percentages)	Quarter ended			Nine months ended		
	2014 \$	2013 \$	Variance \$	2014 \$	2013 \$	Variance \$
Operating Results:						
Revenues	36,522	34,120	2,402	105,032	86,300	18,732
Adjusted gross margin	6,377	5,833	544	17,551	14,578	2,973
Adjusted gross margin %	17.5%	17.1%	0.4%	16.7%	16.9%	(0.2%)
Adjusted EBITDA	2,263	2,090	173	6,156	5,126	1,030
Adjusted EBITDA %	6.2%	6.1%	0.1%	5.9%	5.9%	-
Adjusted EBIT	1,791	1,772	19	5,039	4,371	668
Adjusted EBIT %	4.9%	5.2%	(0.3%)	4.8%	5.1%	(0.3%)
Profit (loss) from continuing operations (net of tax)	732	1,648	(916)	3,592	3,738	(146)
Profit (loss) from discontinued operations (net of tax)	-	(23)	23	-	(45)	45
Net income (loss)	732	1,625	(893)	3,592	3,693	(101)
Per share data:						
Profit (loss) per share (Basic)	0.005	0.010	(0.005)	0.015	0.020	(0.005)
Profit (loss) per share (Diluted)	0.005	0.010	(0.005)	0.015	0.020	(0.005)

Significant Events

During the quarter:

- On July 10, 2014, the exercise price of 27.7 million unexercised warrants increased to \$0.10 from \$0.05, in accordance with their terms, bringing the exercise price of all unexercised warrants to \$0.10.
- On July 31, 2014, the Group obtained a further increase in its performance security guarantee facility with Export Development Canada to \$10 million from \$7 million.

Subsequent to the quarter

- On October 28, 2014, the Group announced the successful award of a media-based attraction contract in South Korea valued at approximately \$8 million USD. The contract will be executed over the next 12-24 months.

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:

For the three month periods ended September 30:

2014	Media-based Attractions \$	Manufactured Products \$	Steel Fabrication Services \$	Corporate \$	Total \$
Sales	14,522	9,519	12,431	50	36,522
Cost of goods sold excluding depreciation and amortization	(11,499)	(7,988)	(10,658)	-	(30,145)
Adjusted gross profit (1)	3,023 20.8%	1,531 16.1%	1,773 14.3%	50 100%	6,377 17.5%
Selling, general and administrative expenses	(1,820)	(613)	(1,043)	(638)	(4,114)
Adjusted EBITDA (2)	1,203	918	730	(588)	2,263
Depreciation and amortization expense	(273)	(100)	(99)	-	(472)
Adjusted EBIT (3)	930	818	631	(588)	1,791

2013	Media-based Attractions \$	Manufactured Products \$	Steel Fabrication Services \$	Corporate \$	Total \$
Sales	22,329	6,552	5,224	15	34,120
Cost of goods sold excluding depreciation and amortization	(18,448)	(5,319)	(4,520)	-	(28,287)
Adjusted gross profit (1)	3,881 17.4%	1,233 18.8%	704 13.5%	15 100%	5,833 17.1%
Selling, general and administrative expenses	(1,599)	(502)	(800)	(842)	(3,743)
Adjusted EBITDA (2)	2,282	731	(96)	(827)	2,090
Depreciation expense	(154)	(55)	(109)	-	(318)
Adjusted EBIT (3)	2,128	676	(205)	(827)	1,772

Third Quarter Analysis

Media-based Attractions

In the three-month period ended September 30, 2014, the segment's operations had reduced revenues of \$7.8 million or 35% over the comparative three-month period ended September 30, 2013. The reduction of revenues is attributed to a transition in production as the segment has completed certain projects in its backlog and in commencing work on new projects. Although revenues have reduced over the comparative period the adjusted gross margin has improved to 20.8% due to the strengthening of the US dollar.

The segment's selling, general and administrative expenses were \$0.2 million higher than the same three-month period in 2013 which includes \$0.1 million in research expenses as the segment continues to identify new proprietary products. The segment's strategic investment in key personnel and processes necessary to effectively address the increased growth realized by the segment and strengthen the segment's management personnel, project management and execution capabilities has driven the balance of the increase. Management expects this investment to provide more efficient execution of its current projects and provide the capability for increased capacity and enhanced execution moving forward.

Adjusted EBITDA for the three-months ended September 30, 2014 declined by \$1.1 million to \$1.2 million over the same period of 2013 and Adjusted EBIT declined by \$1.2 to \$0.9 million over 2013 due to the reduction in revenues and higher operating costs over the comparative period partially offset by improved margins realized through the strengthening US dollar.

Depreciation expense increased \$0.1 million from the same three-month period of 2013 driven largely by the amortization of intangible assets recognized.

Manufactured Products

In the three month period ended September 30, 2014 the segment's operations had increased revenues of \$3.0 million or

45% over the comparative three-month period ended September 30, 2013. The segment's revenue growth is attributed to higher production volumes offset by a small decline in margins in the current period. The profit margin of the segment reduced by 2.7% to 16.1% for the three month period ended September 30, 2014. Declines in margin are attributed to increased outsourcing of key components of the manufacturing process in efforts to increase volume output.

The segment's selling, general and administrative expenses were \$0.1 million higher than the same three-month period in 2013. This increase is a result of the segment investing in the necessary resources to effectively handle the increased production output in addition to continuing to develop opportunities for further capacity expansion.

Adjusted EBITDA for the three-months ended September 30, 2014 increased by \$0.2 million to \$0.9 million over the same period of 2013 and Adjusted EBIT also increased by \$0.15 million over the comparative period due to the increased revenues resulting from increased production offset by lower margins realized through increased outsourcing.

Steel Fabrication

In the three-month period ended September 30, 2014 the segment's operations had increased revenues of \$7.2 million or 138% over the comparative three-month period ended September 30, 2013 as a result of a significant increase in volumes secured and executed by the segment.

The segment's selling, general and administrative expenses were \$0.2 million higher than the same three-month period of 2013. In addition to the increase in volume and secured backlog, the segment is under-going a planned undertaking to improve its production and execution capabilities and certain investments have been made over the past twelve months to complete this transition and effectively address the increased workload.

Adjusted EBITDA for the three-months ended September 30, 2014 increased by \$0.8 million to \$0.7 million over the same period of 2013 and Adjusted EBIT increased by \$0.8 million to \$0.6 million over 2013 as the segment increased its production output significantly over the prior comparative period.

For the nine month periods ended September 30:

2014	Media-based Attractions \$	Manufactured Products \$	Steel Fabrication Services \$	Corporate \$	Total \$
Sales	51,728	26,276	26,914	114	105,032
Cost of goods sold excluding depreciation and amortization	(43,430)	(21,536)	(22,515)	-	(87,481)
Adjusted gross profit (1)	8,298 16.0%	4,740 18.0%	4,399 16.3%	114 100%	17,551 16.7%
Selling, general and administrative expenses	(4,530)	(1,942)	(3,047)	(1,876)	(11,395)
Adjusted EBITDA (2)	3,768	2,798	1,352	(1,762)	6,156
Depreciation and amortization expense	(644)	(189)	(284)	-	(1,117)
Adjusted EBIT (3)	3,124	2,609	1,068	(1,762)	5,039

2013	Media-based Attractions \$	Manufactured Products \$	Steel Fabrication Services \$	Corporate \$	Total \$
Sales	48,791	19,229	18,201	79	86,300
Cost of goods sold excluding depreciation and amortization	(40,453)	(15,658)	(15,611)	-	(71,722)
Adjusted gross profit (1)	8,338 17.1%	3,571 18.6%	2,590 14.2%	79 100%	14,578 16.9%
Selling, general and administrative expenses	(3,774)	(1,299)	(2,285)	(2,094)	(9,452)
Adjusted EBITDA (2)	4,564	2,272	305	(2,015)	5,126
Depreciation and amortization expense	(296)	(194)	(265)	-	(755)
Adjusted EBIT (3)	4,268	2,078	40	(2,015)	4,371

- (1) Adjusted gross profit excludes depreciation and amortization from cost of sales
- (2) Earnings before finance costs, depreciation and amortization, other items and income taxes expenses
- (3) Earnings before finance costs, other items and income taxes

Year-to-Date Analysis

Media-based Attractions

In the nine-month period ended September 30, 2014, the segment's operations had increased revenues of \$2.9 million or 6% over the comparative nine-month period ended September 30, 2013. In much of 2014, the segment was active building several of its new products concurrently, and this presented challenges from an "earned revenue" perspective resulting in lower profitability, however that impact was mitigated by the continued strengthening of US dollar through 2014.

The segment's selling, general and administrative expenses were \$0.75 million higher than the same nine-month period in 2013 which includes \$0.4 million in research expenses as the segment continues to identify new proprietary products. The segment continued to invest in the key personnel and processes necessary to effectively address the increased growth realized by the segment and to strengthen the segment's management personnel, project management and execution capabilities which has driven the balance of the increase. Management expects this investment to provide more efficient execution of its current projects and provide for improved capability and increased execution capacity moving forward.

Adjusted EBITDA for the nine-months ended September 30, 2014 declined by \$0.8 million to \$3.8 million over the same period of 2013 and Adjusted EBIT declined by \$1.1 million over the same period ended in 2013 as segment experienced lower margins on revenues in addition to increased operating costs including research costs associate with new proprietary product initiatives.

Depreciation expense increased \$0.3 million from the same nine-month period of 2013 driven largely by the amortization of

intangible assets recognized in the current period.

The segment has also invested \$0.65 million in property, plant and equipment, inventory and other assets to provide the necessary infrastructure for new and additional proprietary products.

Manufactured Products

In the nine month period ended September 30, 2014 the segment's operations had increased revenues of \$7.0 million or 36.6% over the comparative nine-month period ended September 30, 2013 as the segment continues to increase its production output and capacity through the use of lean manufacturing techniques. The profit margins have declined 0.6% to 18.0% compared to the nine-month period ended in 2013.

The segment's selling, general and administrative expenses were \$0.6 million higher than the same nine-month period in 2013. This increase is a result of the segment investing in the necessary resources to effectively handle the increased production output in addition to continuing to develop opportunities for further capacity expansion.

Adjusted EBITDA for the nine-months ended September 30, 2014 increased by \$0.5 million to \$2.8 million over the same period of 2013 and Adjusted EBIT increased to \$2.6 million over comparative nine-month period due to the increased revenues resulting from increased production partially offset by lower margins realized through increased outsourcing.

Steel Fabrication

In the nine-month period ended September 30, 2014 the segment's operations had increased revenues of \$8.7 million or 47.9% over the comparative nine-month period ended September 30, 2013 as the segment has increased its volume executed over the comparative period. In addition to the increased business volumes, during the period, the Group recovered \$0.4 million of contract changes and variations previously allowed for in the prior year.

The segment's selling, general and administrative expenses were \$0.8 million higher than the same nine-month period of 2013. In addition to the increase in volume and secured backlog, the segment is under-going a planned undertaking to improve its production and execution capabilities and certain investments have been made over the past twelve months to complete this undertaking and effectively address the increased workload.

Adjusted EBITDA for the nine-months ended September 30, 2014 increased by \$1.0 million to \$1.3 million over the same period of 2013 and Adjusted EBIT increased by \$1.0 million over 2013 as the segment increased its production output significantly over the prior comparative period.

Selected Quarterly Financial Information

Selected Quarterly Financial Information	2014	2014	2014	2013	2013	2013	2013	2012
For the quarters ended	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(\$000's, except for per share amounts) unaudited								
Sales	36,522	34,912	33,598	31,495	34,120	28,400	23,780	24,594
Adjusted EBITDA	2,263	1,523	2,370	1,192	2,090	1,506	1,530	(45)
Profit (loss) from continuing operations (net of tax)	732	1,649	1,211	681	1,648	1,016	1,074	(1,505)
Profit (loss) from discontinued operations (net of tax)	-	-	-	45	(23)	(26)	4	(869)
Profit (loss)	732	1,649	1,211	726	1,625	990	1,078	(2,374)
Profit (loss) per share								
Basic	0.005	0.005	0.005	0.005	0.005	0.005	0.005	(0.01)
Diluted	0.005	0.005	0.005	0.005	0.005	0.005	0.005	(0.01)

Liquidity and Capital Resources

Liquidity

For the nine months ended September 30, 2014, the Group's continuing operations generated \$5.3 million of cash, compared with \$4.2 million of cash generated in continuing operations in 2013 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 \$8.0 million was drawn as of September 30, 2014. The Group's marginable assets at September 30, 2014 were \$19.2 million, which is \$11.2 million in excess of the Group's total draw on the operating line.

The Group made \$0.6 million of cash principal repayments during the nine months. Total long-term debt of \$4.8 million as at September 30, 2014 consisted of \$2.9 million of term debt with CIBC, \$0.2 million under finance leases including \$0.8 million of a limited recourse loan and \$0.9 million of subordinated convertible debentures.

Shareholders' Equity

Retained earnings of \$8.0 million at September 30, 2014 is \$3.6 million higher than the retained earnings at December 31, 2013 due to the net income in the nine month period. No dividends were declared or paid in the quarter. The Group maintains a stock option plan for the benefit of officers, directors, key employees and consultants of the Group. The Group had 20,195,000 outstanding options at September 30, 2014. The average exercise price of the outstanding options is \$0.095 per share. Of these options, 20,195,500 are currently exercisable at an average exercise price of \$0.095 per share.

Market Capitalization

The market capitalization of the Group's 255,839,608 issued and outstanding common shares at September 30, 2014 was

\$26.9 million or \$0.105 per share, which is in excess of the Group's book value per share of \$0.075 at September 30, 2014. The issued and outstanding common shares at November 20, 2014, together with securities convertible into common shares are summarized in the table below.

Fully Diluted Shares		
As at November 20, 2014		
Issued and outstanding common shares		256,239,608
Securities convertible into common shares		
Convertible Debentures	9,700,000	
Warrants	32,700,000	
Stock Options	22,695,000	
Total Securities convertible into common shares		65,095,000
Fully Diluted Shares		321,334,608

5,000,000 warrants will expire on December 29, 2014 if not exercised.

Financial Ratios

The following information is based on the data disclosed in Note 11 (Capital Disclosures and Management) from the 2014 unaudited Financial Statements for the period ended June 30, 2014:

For the periods ended	September 30, 2014	Dec 31, 2013	September 30, 2013
	\$	\$	\$
Current portion of long-term debt	887	826	54
Long-term debt	2,216	2,881	137
Funded debt	3,103	3,707	191
Shareholders' equity	19,080	15,335	13,826
Convertible debentures	957	957	929
Limited recourse loan and subordinate note payable	756	756	1,408
Less: intangible assets	(835)	(735)	-
Tangible net worth	19,958	16,313	16,163
Capitalization	23,061	20,020	16,354
Funded debt : Capitalization	13.5%	18.5%	1.2%

The Group's leverage ratio increased to 13.5% from 1.2% at September 30, 2013 as a result of closing its current financing

agreement with CIBC.

The Group's current ratio remains strong at 1.20 due to improved operating results, higher working capital volumes and increased liquidity providing by the new credit facilities.

Risks and Uncertainties

The reader should take into account the risks and uncertainties, including economic and industry factors, described in the December 31, 2013 Annual MD&A. They could impact the Group's ability to fulfill its strategic visions and growth objectives.

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 Group's operating results for the balance of 2014 and into 2015 are expected to be influenced by the following:

Media-based Attractions

The global market for the segment's products continues to be very strong and we expect to increasingly be adding to our backlog. The sales process for large capital purchases like this takes time to consummate and 2014 was very active in advancing many projects in our sales pipeline towards a successful conclusion.

As the segment continues to build multiple new products concurrently, it is anticipated that there will still be some challenges from an earned revenue perspective in the near term. However, the segment expects those challenges to be offset by the continued strength of the US dollar and increases in volume expected from securing new and additional backlog in the near term.

Dynamic Structures continues to be awarded and deliver world-class and large-scale "design/build" and "build to print" contracts in the theme park attraction business. The continued awards are reflective of our ability to deliver industry leading,

high quality work for our clients. Dynamic Structures continues to invest heavily in technological innovation related to the telescope market niche that it is a global leader in.

Overall the segment's backlog remains strong at \$70 million compared to \$73 million at the end of the second quarter.

Manufactured Products

The Group's Hydrovac Truck division continues to operate at full capacity and increasing its throughput because of the effectiveness of the lean manufacturing programs it has embraced. Demand remains high for the segment's product and therefore the segment expects to continue operating at full capacity for the foreseeable future.

Overall the segment's backlog remains consistent at an estimated \$15 million which is consistent with the previous quarter.

Steel Fabrication

The Group's Steel Fabrication divisions are expected to continue to execute at higher volume levels in the near future resulting from improved production and installation capabilities, access to bonding and increased demand in the industries in which it serves.

The backlog in Steel Fabrication has declined in the current quarter to \$8 million from \$16 million at the end of the previous quarter. Unlike the Group's Media-based attractions segment, the sales process in Steel Fabrication is not as long and contracts are awarded and executed faster. The segment expects to continue secure the necessary backlog moving forward to maintain its current operating performance in the near term.

The Group's investment in Steel Fabrication operations includes; its wholly owned Empire Iron Works division in Edmonton, its unique aboriginal partnership with the Athabasca Chipewyan First Nation in Fort McMurray called ACE Industrial Services, and its steel fabrication joint venture in China called QDS. Our program to have Empire Iron add cost competitive, fabricated steel from our Chinese partnership is a huge undertaking and will take some time to accomplish.

Overall

The Company has successfully repositioned the Group into higher margin, engineered products and competitively priced fabricated steel. Each of the Company's three segments continue to participate in growing markets and are providing a more balanced contribution to the Group's operating results.

The Group will continue to shelter profits from tax through the availability of \$16.3 million of loss carry forwards.

Over and above growing each of the three business segments through increasing our sales, capacity, and profit, the Group continues to assess strategic growth initiatives in the hydrovac operation, telescope product development, and its fabricated steel supply chain with the view to accelerating its growth and profitability.

Reconciliation of Non-IFRS Methods

Non-IFRS Methods

In this MD&A, the Group uses three 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) 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 September 30	Quarter ended			Nine months ended		
	2014	2013	Variance	2014	2013	Variance
(\$000's, except for per share amounts)	\$	\$	\$	\$	\$	\$
Profit (loss) – continuing operations before taxes	732	1,644	(912)	3,592	3,729	(137)
Add: Depreciation and amortization	472	318	154	1,117	755	362
Add/Deduct: (Gain) loss on disposal of assets and other (income) loss	-	160	(160)	-	145	(145)
Add: Finance costs	284	578	(294)	858	909	(51)
Add/Deduct Share of profit of associate	(236)	(305)	69	(242)	(260)	18
Add/Deduct Fair value changes of foreign currency option contracts	1,011	(313)	1,324	820	(188)	1,008
Add: non cash stock-based compensation	-	8	(8)	11	36	(25)
Adjusted EBITDA – continuing operations	2,263	2,090	173	6,156	5,126	1,030

Calculation of Adjusted EBIT

Periods ended September 30	Quarter ended			Nine months ended		
	2014	2013	Variance	2014	2013	Variance
(\$000's, except for percentages)	\$	\$	\$	\$	\$	\$
Adjusted EBITDA	2,263	2,090	173	6,156	5,126	1,030
Less: Depreciation and amortization	(472)	(318)	(154)	(1,117)	(755)	(362)
Adjusted EBIT	1,791	1,772	19	5,039	4,371	668
% of revenue	4.9%	5.2%	(0.3%)	4.8%	5.1%	(0.3%)

Calculation of Adjusted Gross Margin

Periods ended September 30	Quarter ended			Nine months ended		
	2014	2013	Variance	2014	2013	Variance
(\$000's, except for percentages)	\$	\$	\$	\$	\$	\$
Revenues	36,522	34,120	2,402	105,032	86,300	18,732
Cost of sales excluding depreciation and amortization	(30,145)	(28,287)	(1,858)	(87,481)	(71,722)	(15,759)
Adjusted gross margin	6,377	5,833	544	17,551	14,578	2,973
% of revenue	17.5%	17.1%	0.4%	16.7%	16.9%	(0.2%)



3rd Quarter

Consolidated Financial Statements

For the 3 and 9 month periods ending September 30, 2014

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.

3Q14

For the nine months ended September 30 (In \$000's CAD, except per-share amounts)	Notes	Three Months		Nine Months	
		2014	2013	2014	2013
		\$	\$	\$	\$
Revenues (1)		36,522	34,120	105,032	86,300
Cost of sales, excluding depreciation and amortization (2)	5	(30,145)	(28,287)	(87,481)	(71,722)
Gross Profit, excluding depreciation and amortization		6,377	5,833	17,551	14,578
Selling and administrative expenses	6	(4,114)	(3,743)	(11,395)	(9,452)
Result before depreciation, amortization and other items of income (loss)		2,263	2,090	6,156	5,126
Depreciation of property, plant and equipment		(346)	(318)	(853)	(755)
Amortization of intangible assets		(126)	—	(264)	—
Result before other items of income (loss)		1,791	1,772	5,039	4,371
Share of profit (loss) from associates		236	305	242	260
Stock-based compensation		—	(8)	(11)	(36)
Finance costs	7	(284)	(578)	(858)	(909)
Unrealized (loss) gain on foreign currency forward contracts	8	(1,011)	313	(820)	188
Other non-operating income		—	(160)	—	(145)
		(1,059)	(128)	(1,447)	(642)
Net income from continuing operations before tax		732	1,644	3,592	3,729
Income tax (expense) recovery					
Current		—	4	—	9
Deferred		—	—	—	—
		—	4	—	9
Net income from continuing operations		732	1,648	3,592	3,738
Net loss from discontinued operations (net of tax)		—	(23)	—	(45)
Net income (loss) and comprehensive income (loss)		732	1,625	3,592	3,693
Income per share - basic and diluted	9	0.005	0.010	0.015	0.020
Income per share from continuing operations					
Income per share - basic and diluted	9	0.005	0.010	0.015	0.020

(1) Included in revenues are foreign exchange gains for the three months ended September 30, 2014 of \$873 and foreign exchange losses of \$84 for the three months ended September 30, 2013. Foreign exchange gains of \$1,427 are included in revenues for the nine months ended September 30, 2014 and gains of \$59 for the nine months ended September 30, 2013

(2) Cost of sales including depreciation of \$368 was (\$30,785) for the three months ended September 30, 2014 and of \$223 was (\$28,510) for the three months ended September 30, 2013.
 Cost of sales including depreciation of \$861 was (\$88,614) for the nine months ended September 30, 2014 and of \$529 was (\$72,251) for the nine months ended September 30, 2013.

See accompanying notes

As at	Notes	30-Sep-14	31-Dec-13	30-Sep-13
(In \$000's CAD)		\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents		—	311	26
Accounts receivable	3	40,574	31,740	22,933
Inventory		6,094	5,537	4,149
Prepaid expenses and other assets		1,568	857	1,452
Total current assets		48,236	38,445	28,560
Non-current assets				
Property, plant and equipment and investment property, net		8,718	8,818	8,394
Intangible assets, net		835	735	—
Other non-current assets		460	180	201
Investment in associate		2,095	1,853	1,961
Advances to associate		934	875	396
Foreign currency forward contracts		—	—	188
Deferred tax assets		1,415	1,415	—
Total non-current assets		14,457	13,876	11,140
Total assets		62,693	52,321	39,700
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness		8,034	7,454	4,364
Accounts payable and accrued liabilities		21,239	17,489	13,023
Deferred revenue from construction contracts	4	8,291	6,210	5,959
Current portion of long-term debt		887	826	54
Foreign currency forward instruments		1,233	413	—
Total current liabilities		39,684	32,392	23,400
Non-current liabilities				
Long-term debt		2,216	2,881	137
Limited recourse loan and subordinate notes payable		756	756	1,408
Convertible debentures		957	957	929
Total non-current liabilities		3,929	4,594	2,474
Total liabilities		43,613	36,986	25,874
SHAREHOLDERS' EQUITY				
Share capital		7,485	7,343	7,167
Equity component of convertible debentures		157	157	157
Contributed surplus		3,427	3,416	2,809
Retained earnings		8,011	4,419	3,693
Total shareholders' equity		19,080	15,335	13,826
Total liabilities and shareholders' equity		62,693	52,321	39,700

Guarantees and contingencies [note 12]

See accompanying notes

On behalf of the Board of Directors:

"Ian Macdonald"
Director

"Guy Nelson"
Director

As at September 30, 2014

	Share capital	Equity component of convertible debentures	Contributed surplus	Retained earnings (deficit)	Total equity
(In \$000's CAD)	\$	\$	\$	\$	\$
As at December 31, 2013	7,343	157	3,416	4,419	15,335
Proceeds received from exercise of warrants	142	—	—	—	142
Net income for the year	—	—	—	3,592	3,592
Stock-based compensation	—	—	11	—	11
As at September 30, 2014	7,485	157	3,427	8,011	19,080

As at September 30, 2013

	Share capital	Equity component of convertible debentures	Contributed surplus	Retained deficit	Total equity
(In \$000's CAD)	\$	\$	\$	\$	\$
As at December 31, 2012	39,613	157	2,083	(34,653)	7,200
Proceeds from the issuance of shares and warrants	2,207	—	690	—	2,897
Net income for the period	—	—	—	3,693	3,693
Stock-based compensation	—	—	36	—	36
Reduction of stated capital	(34,653)	—	—	34,653	—
As at September 30, 2013	7,167	157	2,809	3,693	13,826

See accompanying notes

(In \$000's CAD, except per-share amounts)	Three Months		Nine Months	
	2014	2013	2014	2013
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income from continuing operations	732	1,648	3,592	3,738
<i>Add (deduct) items not affecting cash</i>				
Depreciation of property, plant and equipment	346	318	853	755
Amortization of intangible assets	126	—	264	—
Amortization of deferred financing charges	22	28	71	40
Loss (gain) on sale of property, plant and equipment	—	160	—	145
Share of (profit) loss from associate investments	(236)	(305)	(242)	(260)
Non-cash interest income (expense)	(36)	6	(53)	(22)
Stock-based compensation	—	8	11	36
Fair value changes on foreign currency forward contracts on options	1,011	(313)	820	(188)
Cash flow from continuing operations	1,965	1,550	5,316	4,244
Cash flow from (used) in discontinued operations	—	(14)	—	(36)
Net change in non-cash working capital balances	2,456	(7,082)	(4,336)	(6,393)
Cash flow from (used in) from operating activities	4,421	(5,546)	980	(2,185)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(520)	(444)	(752)	(757)
Acquisition of other long term assets	(23)	—	(292)	(112)
Proceeds from sale of items of property, plant and equipment	—	81	—	96
Recognition of intangible assets	(26)	—	(364)	—
Cash flow used in investing activities	(569)	(363)	(1,408)	(773)
FINANCING ACTIVITIES				
Issue of shares and warrants <i>(net of transaction costs of \$103)</i>	—	2,897	—	2,897
Proceeds from shares issued from warrants exercised	27	—	142	—
Proceeds received from long-term debt and finance leases	29	116	29	171
Repayment of long term debt	(218)	(1,475)	(634)	(1,590)
Cash flow from (used in) financing activities	(162)	1,538	(463)	1,478
Net (decrease) increase in cash and equivalents during the period	3,690	(4,371)	(891)	(1,480)
Cash and cash equivalents, beginning of period	(11,724)	33	(7,143)	(2,858)
Cash and cash equivalents, end of period	(8,034)	(4,338)	(8,034)	(4,338)
Supplementary cash flow information				
Interest Paid	226	455	575	673
Cash taxes (paid) recovered	—	4	—	9
<i>Cash and cash equivalents is comprised of:</i>				
Cash	—	26	—	26
Bank indebtedness	(8,034)	(4,364)	(8,034)	(4,364)
	(8,034)	(4,338)	(8,034)	(4,338)

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 November 25, 2014 and were approved and authorized for issue by the Board of Directors on November 26, 2014.

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, 2013. In addition, effective January 1, 2014, the Group adopted amendments to and additions of new standards IFRS 32 – Offsetting financial assets and financial liabilities and IFRIC 21 – Levies. While adopted by the group in the current period, there was no material impact to the Group's financial statements as a result of the adoption of the changes. The Group's 2013 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 September 30, 2014 and include the results for the comparative period ended September 30, 2013. 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 September 30, 2014.

3. Accounts receivable

	September 30, 2014	December 31, 2013	September 30, 2013
	\$	\$	\$
Trade	21,954	15,409	12,992
Unbilled construction contract receivables (note 4)	18,339	16,038	9,821
Associates and other related parties	100	100	-
Other receivables	181	289	267
Allowance for doubtful accounts	-	(96)	(147)
	40,574	31,740	22,933

Holdbacks included in trade receivables are \$2,775 as at September 30, 2014 (December 31, 2013 - \$2,517 – September 30, 2013 - \$2,363).

4. Construction contracts

	September 30, 2014	December 31, 2013	September 30, 2013
	\$	\$	\$
Construction costs incurred, and estimated profits less recognized losses to date	175,975	111,241	101,317
Less: Progress billings	(165,927)	(101,413)	(97,455)
	10,048	9,828	3,862
Items recognized and included in the financial statements as:			
Unbilled construction contract receivables (note 3)	18,339	16,038	9,821
Deferred revenue from construction contracts	(8,291)	(6,210)	(5,959)
	10,048	9,828	3862

5. Cost of sales

	3 months September 30, 2014	3 months September 30, 2013	9 months September 30, 2014	9 months September 30, 2013
	\$	\$	\$	\$
Direct construction costs	(26,535)	(25,189)	(76,447)	(63,068)
Indirect salaries and benefits	(1,442)	(1,639)	(4,818)	(4,578)
Indirect production costs	(2,168)	(1,459)	(6,216)	(4,076)
	(30,145)	(28,287)	(87,481)	(71,722)

6. Selling and administrative expenses

	3 months September 30, 2014	3 months September 30, 2013	9 months September 30, 2014	9 months September 30, 2013
	\$	\$	\$	\$
Salaries and benefits	(2,530)	(2,331)	(6,287)	(6,092)
General, selling and administrative expenses	(1,479)	(1,412)	(4,725)	(3,360)
Research expenditures	(105)	-	(383)	-
	(4,114)	(3,743)	(11,395)	(9,452)

7. Finance costs

	3 months September 30, 2014	3 months September 30, 2013	9 months September 30, 2014	9 months September 30, 2013
	\$	\$	\$	\$
Interest on long-term borrowings	(91)	(98)	(265)	(193)
Interest on short-term borrowing and other	(80)	(452)	(431)	(676)
Financing charges	(113)	(28)	(162)	(40)
	(284)	(578)	(858)	(909)

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 nine months, the Group recorded unrealized mark-to market losses on foreign currency forward contracts and options of \$820 with losses of \$1,011 record in the three month period ended (2013 – gains of \$313 recorded for the three month period ended and gains of \$188 for the nine month period ended September 30, 2013). As at September 30, 2014 the Group recorded a liability associated with the unrealized mark-to market net loss on foreign currency forward contracts and options of \$1,233 (2013 – December \$413, June – and asset of \$188).

9. Income per share

Income per share for the three months ended September 30

	2014			2013		
	Net income for the period	Shares	Per Share	Net income for the period	Shares	Per Share
Basic income per share from continuing operations	\$ 732	255,640,695	\$ 0.005	\$ 1,648	247,239,608	\$ 0.010
Basic income per share from discontinued operations	\$ -	255,640,695	\$ -	\$ (23)	247,239,608	\$ -
Basic income per share	\$ 732	255,640,695	\$ 0.005	\$ 1,625	247,239,608	\$ 0.010

	2014			2013		
	Net income for the period	Shares	Per Share	Net income for the period	Shares	Per Share
Diluted income per share from continuing operations	\$ 732	281,631,436	\$ 0.005	\$ 1,648	247,239,608	\$ 0.010
Diluted income per share from discontinued operations	\$ -	281,631,436	\$ -	\$ (23)	247,239,608	\$ -
Diluted income per share	\$ 732	281,631,436	\$ 0.005	\$ 1,625	247,239,608	\$ 0.010

Income per share for the nine months ended September 30:

	2014			2013		
	Net income for the period	Shares	Per Share	Net income for the period	Shares	Per Share
Basic income per share from continuing operations	\$ 3,592	254,806,275	\$ 0.015	\$ 3,738	211,839,608	\$ 0.020
Basic income per share from discontinued operations	\$ -	254,806,275	\$ -	\$ (45)	211,839,608	\$ -
Basic income per share	\$ 3,592	254,806,275	\$ 0.015	\$ 3,693	211,839,608	\$ 0.020

	2014			2013		
	Net income for the period	Shares	Per Share	Net income for the period	Shares	Per Share
Diluted income per share from continuing operations	\$ 3,592	278,745,824	\$ 0.015	\$ 3,738	211,839,608	\$ 0.020
Diluted income per share from discontinued operations	\$ -	278,745,824	\$ -	\$ (45)	211,839,608	\$ -
Diluted income per share	\$ 3,592	278,745,824	\$ 0.015	\$ 3,693	211,839,608	\$ 0.020

Basic earnings per share are derived by dividing the net earnings for the period by the weighted average number of common shares outstanding for the period. The effect of potentially dilutive securities ("in-the-money" executive stock options, "in-the-money" warrants and convertible debentures) are excluded if they are anti-dilutive.

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 September 30, 2014 and 2013 respectively:

3 Months ended September 30, 2014	Media-based Attractions \$	Manufactured Products \$	Steel Fabrication Services \$	Corporate \$	Total \$
Sales	14,522	9,519	12,431	50	36,522
Cost of goods sold excluding depreciation and amortization	(11,499)	(7,988)	(10,658)	-	(30,145)
Adjusted gross profit (1)	3,023	1,531	1,773	50	6,377
Selling, general and administrative expenses	(1,820)	(613)	(1,043)	(638)	(4,114)
Adjusted EBITDA (2)	1,203	918	730	(588)	2,263
Depreciation and amortization expense	(273)	(100)	(99)	-	(472)
Adjusted EBIT (3)	930	818	631	(588)	1,791

3 Months ended September 30, 2013	Media-based Attractions \$	Manufactured Products \$	Steel Fabrication Services \$	Corporate \$	Total \$
Sales	22,329	6,552	5,224	15	34,120
Cost of goods sold excluding depreciation and amortization	(18,448)	(5,319)	(4,520)	-	(28,287)
Adjusted gross profit (1)	3,881	1,233	704	15	5,833
Selling, general and administrative expenses	(1,599)	(502)	(800)	(842)	(3,743)
Adjusted EBITDA (2)	2,282	731	(96)	(827)	2,090
Depreciation expense	(154)	(55)	(109)	-	(318)
Adjusted EBIT (3)	2,128	676	(205)	(827)	1,772

9 Months ended September 30, 2014	Media-based Attractions \$	Manufactured Products \$	Steel Fabrication Services \$	Corporate \$	Total \$
Sales	51,728	26,276	26,914	114	105,032
Cost of goods sold excluding depreciation and amortization	(43,430)	(21,536)	(22,515)	-	(87,481)
Adjusted gross profit (1)	8,298	4,740	4,399	114	17,551
Selling, general and administrative expenses	(4,530)	(1,942)	(3,047)	(1,876)	(11,395)
Adjusted EBITDA (2)	3,768	2,798	1,352	(1,762)	6,156
Depreciation and amortization expense	(644)	(189)	(284)	-	(1,117)
Adjusted EBIT (3)	3,124	2,609	1,068	(1,762)	5,039

9 Months ended September 30, 2013	Media- based Attractions \$	Manufactured Products \$	Steel Fabrication Services \$	Corporate \$	Total \$
Sales	48,791	19,229	18,201	79	86,300
Cost of goods sold excluding depreciation and amortization	(40,453)	(15,658)	(15,611)	-	(71,722)
Adjusted gross profit (1)	8,338	3,571	2,590	79	14,578
Selling, general and administrative expenses	(3,774)	(1,299)	(2,285)	(2,094)	(9,452)
Adjusted EBITDA (2)	4,564	2,272	305	(2,015)	5,126
Depreciation expense	(296)	(194)	(265)	-	(755)
Adjusted EBIT (3)	4,268	2,078	40	(2,015)	4,371

(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

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, subordinated debt such as subordinate convertible debentures, limited recourse loans and subordinate notes payable less intangible assets. The Group's strategy during the period, which is unchanged from prior periods, is 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	September 30, 2014 \$	December 31, 2013 \$	September 30, 2013 \$
Current portion of long-term debt including finance leases	887	826	54
Long-term debt including finance leases	2,216	2,881	137
Funded debt	3,103	3,707	191
Shareholders' equity	19,080	15,335	13,826
Convertible debentures	957	957	929
Limited recourse loan and subordinate note payable	756	756	1,408
Less: intangible assets (net)	(835)	(735)	-
Tangible net worth	19,958	16,313	16,163
Capitalization	23,061	20,020	16,354
Funded debt : Capitalization	13.5%	18.5%	1.2%

The Group's funded debt to capitalization ratio has increased compared to September 30, 2013 due to the Group re-financing with CIBC. However the Group's ratio has reduced compared to December 31, 2013 as a result of increased shareholder's equity through net income and a reduction in long-term debt resulting from scheduled principle payments of long-term debt subsequent to re-financing with CIBC.

12. 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 September 30, 2014, the maximum amount of fixed guarantees provided to a third-party lender on behalf of an affiliated company is \$1,401 (\$2,353 as at December 31, 2013 and \$1,470 as at September 30, 2013).

Letters of Credit

In the normal course of business, the Group contracted letters of credit for an amount of up to \$4,639 USD as at September 30, 2014 (\$3,850 as at December 31, 2013 and \$4,000 as at September 30, 2013). The Group has a secured guarantee facility with Export Development Canada used to guarantee letters of credit for performance security and advance payment guarantees issued by the Group on international construction contracts. During the period, this facility was increased from \$7,000 USD to \$10,000 USD. The total value of letters of credit disclosed above are guaranteed by this facility. The facility is secured by a general securing 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.