

TRANSFORMED THE BUSINESS;  
POISED FOR SHAREHOLDER GROWTH



TSX.V: EIL

[www.empind.com](http://www.empind.com)

717 Jarvis Avenue

Winnipeg, Manitoba R2X 0A3

(204) 589-9300

**2013 Annual Meeting**

**Guy Nelson, CEO**

**August 20, 2013**

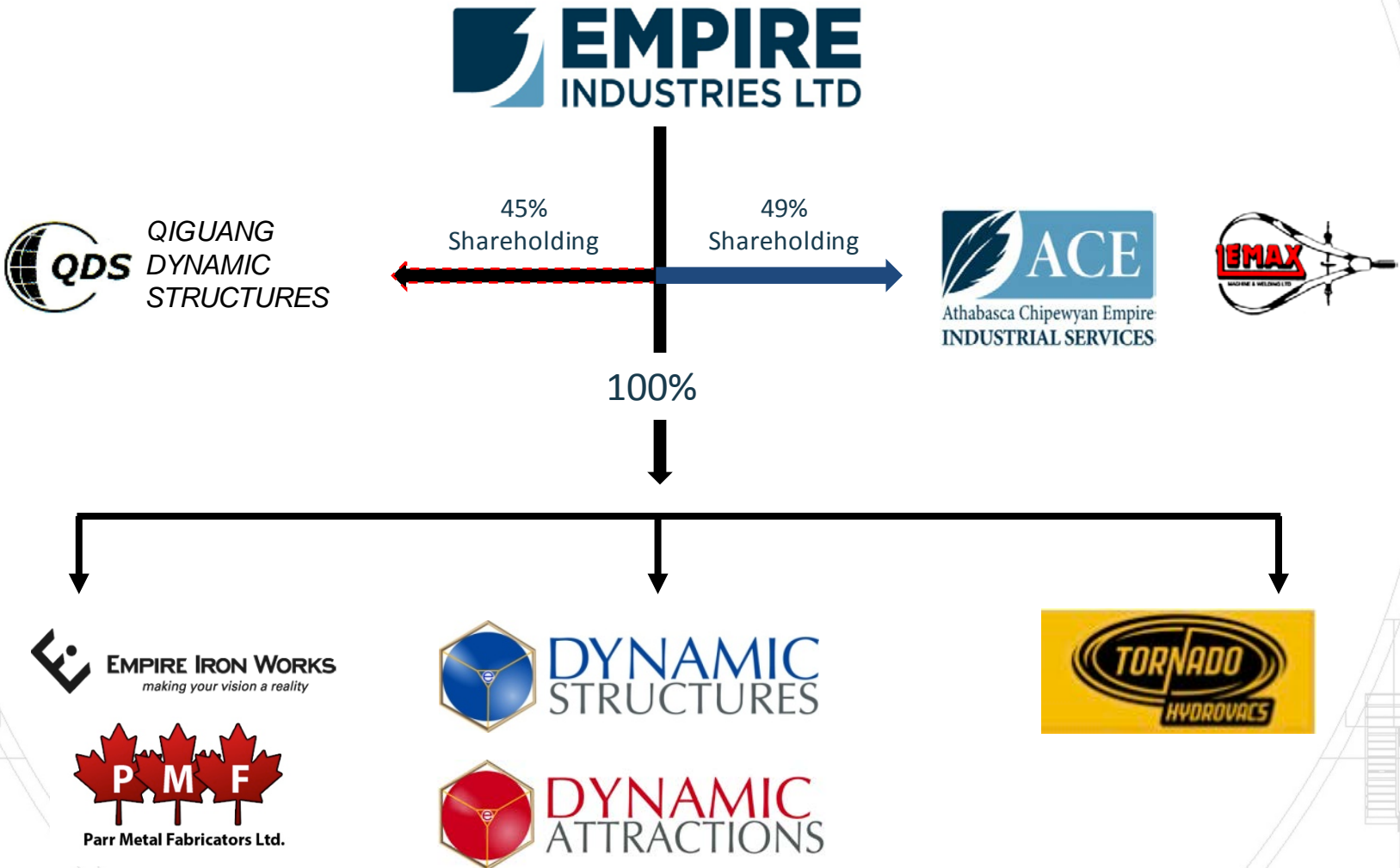
## Reader Advisory

This presentation contains forward-looking statements, within the meaning of applicable securities legislation, concerning Empire's business and affairs. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". These forward looking statements are based on current expectations, and are naturally subject to uncertainty and changes in circumstances that may cause actual results to differ materially. Readers are cautioned not to place undue reliance on such forward-looking statements. Forward-looking information is provided as of the date of this presentation, and Empire assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required under applicable securities laws. Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this presentation.

# BUSINESS HIGHLIGHTS

- **Proprietary** engineered products targeting growth markets internationally and domestically:
  - **Unique** exporter of design/build/ industrial equipment
  - **Unique** exporter of Media Based Attractions
  - **Unique** manufacturer of hydrovac trucks
- **Differentiated** steel fabrication business is focused on the massive oil sands market, using Empire Iron's experience since 1956 to leverage our:
  - **Unique** Chinese steel fabrication partnership (45%)
  - **Unique** First Nation partnership in Fort McMurray (49%)
  - **Unique** structural and mechanical engineering expertise

# Corporate Structure





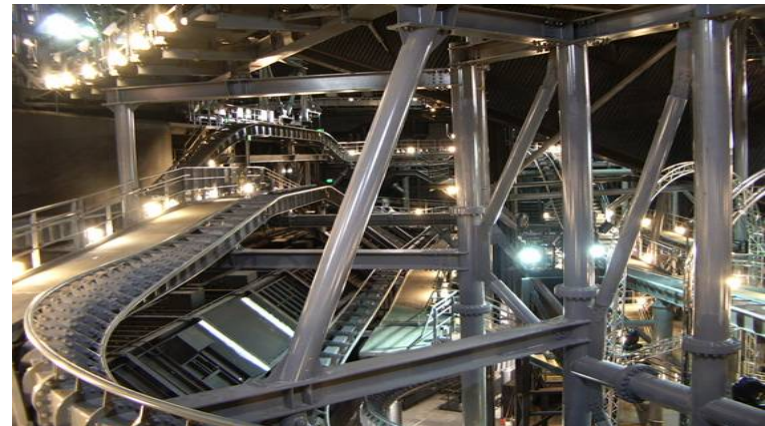
- Dynamic Structures (DS) is a world leading designer and manufacturer of complex products
  - amusement rides for major theme parks world-wide
  - telescopes for governments and universities
- DS has been in business a very long time;
  - Commenced steel fabrication operations in 1926
  - Commenced telescope fabrication in 1975
  - Commenced amusement ride manufacturing in 2000
- DS has developed some of the best engineering talent in the world that are capable of designing and building complex structures and systems





[www.dynamicattractions.com](http://www.dynamicattractions.com)

- Incorporated Dynamic Attractions (DA) in 2011, to be a turn-key supplier of iconic entertainment attractions globally
- DS has engineered over six proprietary entertainment products since business commenced and just started to market these globally
- DA has hired the key staff to run this business and to also start up a parts and service business for amusement rides
- DA has actively and aggressively leveraged Dynamic Structure's unique manufacturing competency to the global entertainment attraction market





[www.tornadotrucks.com](http://www.tornadotrucks.com)

- Hydrovacs use pressurized water (hydro) and a powerful vacuum (vac) to excavate and remove soil without damaging the underground infrastructure that gets exposed to the daylight (the hydrovac service is often referred to as “daylighting”)
- Hydrovac trucks are the safest way to dig around buried utilities (oil, gas, water, waste water) and infrastructure. **It is a rapidly growing market niche within the excavation equipment market**
- **Simple User-Friendly Design**- known for being the most user-friendly design based on ease of access for visual inspection and routine maintenance of all working parts.
- **TOPGUN Boom**- delivers superior reach and mobility, one reason why the Tornado Hydrovac is considered by many to be the best in the business (over 400 units in service currently)





## Differentiated Steel Fabrication Operations

Empire Iron will project manage and quality manage this unique steel fabrication supply chain, supplementing its own fabrication capacity in Alberta

- **Empire Iron**, based in Edmonton, Alberta, has been in the structural steel fabrication and installation business since **1956** ([www.empireiron.com](http://www.empireiron.com))
- **Dynamic Structures**, based in Vancouver, BC, has been fabricating complex steel structures since **1926** ([www.empireds.com](http://www.empireds.com))
- **Parr Metal**, based in Winnipeg, Manitoba, has been fabricating steel and aluminum pressure vessels and tanks in since **1976**. ([www.parrmetal.com](http://www.parrmetal.com))
- **Qiguang Dynamic Steel Structures** is a joint venture Company created in **2011** by Qiguang Group and Empire Industries and has its 120,000 sf plant in China, CWB certified, 150 employees ([www.qdsjv.com/en](http://www.qdsjv.com/en))
- **ACE Industrial Services**, based in Fort McMurray, Alberta, has been in the machining, welding and steel installation business since **1989** ([www.ace-ind.com](http://www.ace-ind.com))



# Massive headwinds required Transformation

- The recession commenced in the fall of 2008 with a vengeance
- The Canadian dollar strengthened against the US dollar (\$1.30 in 2009 to \$1.00 currently). This negatively impacted all Canadian manufacturers
- Construction spending has been in a recession and this has resulted in demand for construction & fabrication services being less than capacity putting huge pressure on pricing and margins
- Steel fabrication excess capacity has been exacerbated by imports from the US (cheaper dollar, bigger plants), Asia (cheaper labor, bigger plants) and significant shipments to western Canada from Quebec (over 40% of fabrication capacity is in Quebec and US export market has dried up because of rise of dollar)
- Steel fabrication and erection is a commodity with few areas to differentiate

## Operational Restructuring completed in past four years

- Decreased secured debt from \$46 million December 31, 2008 to under \$5 million at December 31, 2012
- Discontinued, consolidated or sold eight money losing steel fabrication operations (George Third Burnaby, Empire Iron Delta, Petrofield Calgary, Empire Iron Winnipeg, Hopkins Welland, KWH Constructors, Ward) and sold a ninth non-core division (Tornado Combustion)
- Committed significant resources to position the Company to be a leader in the export of specialized equipment (Dynamic Structures)
- Developed our own product line of media based attractions for the global attraction business (Dynamic Attractions)
- Offset domestic steel fabrication capacity reduction (330,000 sf) with 45% interest in joint venture in China (150,000 sf, with ability to expand to 500,000 sf)
- Committed additional resources to position the Company's Aboriginal partnership to be a leader in the oil sands maintenance market by acquiring two machine shops (Lemax and Bartan) and two steel erection operations (Sorge's Welding and RHS Erection Services).

# The Operational Restructuring had a Huge Cost

## EMPIRE INDUSTRIES LTD.

(\$000)

	2009	2010	2011	2012	Total
<b>Net loss reconciliation</b>					
Net loss from continuing operations	(9,794)	(3,832)	(6,223)	948	(18,901)
Net loss from discontinued operations	(5,668)	(13,981)	(1,073)	(1,573)	(22,295)
<b>Net Loss</b>	<b>(15,462)</b>	<b>(17,813)</b>	<b>(7,296)</b>	<b>(625)</b>	<b>(41,196)</b>
<b>Cash flow from operating activities reconciliation</b>					
Cash flow from (used in) continuing operations	(4,178)	(617)	(5,464)	1,239	(9,020)
Cash flow from (used in) discontinued operations	(5,376)	(5,175)	(1,654)	(1,026)	(13,231)
<b>Net cash flow from (used in) operating activities</b>	<b>(9,554)</b>	<b>(5,792)</b>	<b>(7,118)</b>	<b>213</b>	<b>(22,251)</b>

- There were \$41M in total losses of which \$22M were cash losses in the past 4 years
- \$9M of the cash loss came from continuing operations which were a combination of tough contracts and expenses related to building a sustainable business model
- Cash flow from operating activities returned to positive territory in 2012, and we expect this to continue to improve

# Capital Market Highlights

Empire Industries Ltd.	TSX- EIL.V
Share Price (Aug 16, 2013)	\$0.055
Shares Issued (Basic – Aug 16, 2013)	253 million
Market Cap	\$14 million
52 Week HI/LO	\$0.07 / \$0.035
Insiders	51.7%
Average Daily Volume (3 months)	319,228
Book Value per share (Mar 31, 2013)	\$0.043





**EMPIRE INDUSTRIES LTD.****BALANCE SHEET**

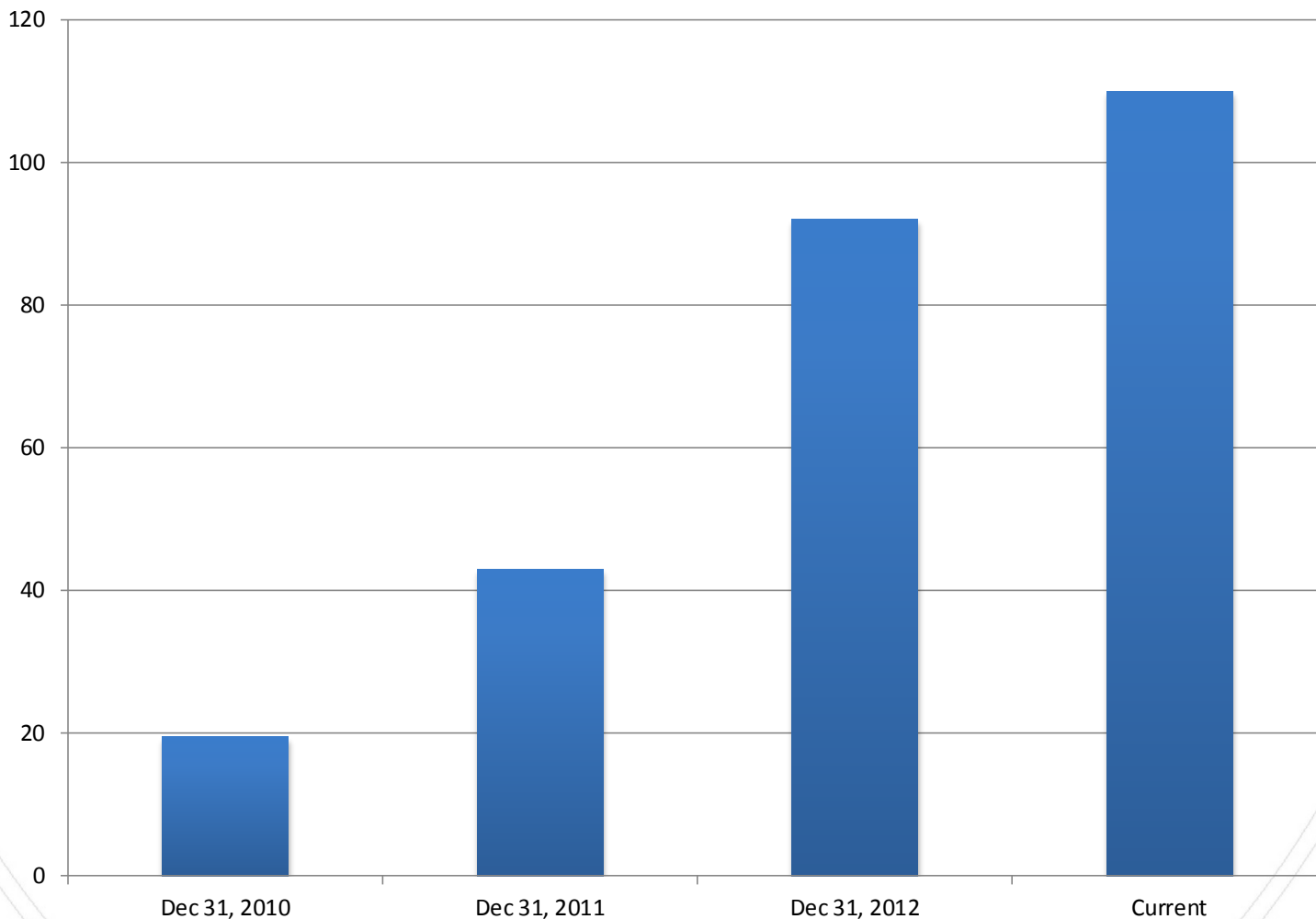
(\$000)

	Audited 31-Dec-12	Audited 31-Dec-11
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	25	642
Accounts Receivables	19,310	15,262
Proceeds Receivable	-	6,092
Inventory	3,809	3,847
Prepaid expenses & other assets	2,293	509
<b>Total current assets</b>	<b>25,437</b>	<b>26,352</b>
<b>Non-current assets</b>		
Property, plant & equipment, net	7,960	9,914
Investment in associates	1,700	2,102
Advances to associates	363	341
Other non-current assets	129	169
Non-current assets held for sale	711	30
<b>Total non-current assets</b>	<b>10,863</b>	<b>12,556</b>
<b>Total assets</b>	<b>36,300</b>	<b>38,908</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Bank indebtedness	2,883	9,465
Accounts payable & accrued liabilities	10,675	8,465
Current portion of long term debt	224	5,266
Current portion of Notes payable	-	1,356
Deferred revenue	11,215	2,802
<b>Total current liabilities</b>	<b>24,997</b>	<b>27,354</b>
<b>Total non-current liabilities</b>	<b>4,103</b>	<b>3,892</b>
<b>TOTAL LIABILITIES</b>	<b>29,100</b>	<b>31,246</b>
<b>Total shareholders equity</b>	<b>7,200</b>	<b>7,662</b>
<b>Total liabilities and shareholders' equity</b>	<b>36,300</b>	<b>38,908</b>
	-	
<b>Book value of Shareholders equity per share</b>	<b>\$ 0.04</b>	<b>\$ 0.04</b>

Empire's growing business requires more working capital that will come from:

- Customer Deposits (Deferred Revenue);
- non-dilutive, liability and equity raising options;
- Accelerating profits;
- sheltered income from tax losses.

# Increasing Backlog (\$ millions) Translating into Future Earnings Growth Potential



# Shareholder Value Increases Will Come From:

- **Capitalizing on** its proprietary position in **break through technologies** and its unrivaled reputation in the precision design/build manufacturing market where subsidiary Dynamic Structures is a global leader;
- Leveraging our capability to **manufacture the best rides in the world** by creating our own proprietary attraction products targeted at the rapidly growing Chinese middle class;
- Leveraging our Chinese strategic partners' **considerable financial and local market knowledge with Empire's proprietary technologies;**
- Leveraging ownership of our hydrovac truck in new markets;
- **Operationalizing our cost competitive, steel supply chain** to realize material cost savings for oil sands clients, in search of effective solutions; and
- **Providing and broadening ACE JV's maintenance services** for the rapidly growing oil sands maintenance market.

THANK YOU



TSX.V: EIL

[www.empind.com](http://www.empind.com)

717 Jarvis Avenue

Winnipeg, Manitoba R2X 0A3

(204) 589-9300

Guy Nelson, CEO

[gnelson@empind.com](mailto:gnelson@empind.com)

(416) 366-7977

August 20, 2013