EMPIRE
INDUSTRIES LTD

2016

Year-end Reports

Management's Discussion & Analysis

For the 3 and 12 month periods ending December 31, 2016

Consolidated Financial Statements

December 31, 2016

Audited

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, 2016.

The audited consolidated financial statements and accompanying notes of the Group for the year ended December 31, 2016 have been prepared in conformity with International Financial Reporting Standards ("IFRS") and require management to make estimates and assumptions that affect amounts reported and disclosed in such financial statements and related notes. Unless otherwise indicated, a reference to a year relates to the Group's fiscal year ended December 31. All amounts are reported in Canadian dollars unless specifically stated to the contrary. Financial information disclosed in this MD&A is presented in thousands (000's) with the exception of percentages and per share data.

The Board of Directors, on the recommendation of the Audit Committee, approved the contents of this MD&A on April 25, 2017. Disclosure contained in this document is current to this date, unless otherwise stated.

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

Business Description

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

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

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

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

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

Consolidated Financial Results

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2016	2015	Variance	2016	2015	Variance
Operating Results:						
Revenues	**117,987**	131,225	(13,238)	**27,531**	33,664	(6,133)
Adjusted gross margin	**22,462**	22,962	(500)	**6,837**	7,905	(1,068)
Adjusted gross margin %	**19.04%**	17.50%	1.54%	**24.84%**	23.49%	1.4%
Adjusted EBITDA	**5,594**	8,139	(2,545)	**1,179**	3,000	(1,821)
Adjusted EBITDA %	**4.75%**	6.21%	(1.46%)	**4.29%**	8.92%	(4.6%)
Adjusted EBIT	**1,946**	6,339	(4,393)	**(622)**	2,366	(2,988)
Adjusted EBIT %	**1.65%**	4.83%	(3.18%)	**(2.26%)**	7.03%	(9.3%)
Cashflow Generated by Operations	**4,169**	7,055	(2,886)	**727**	2,922	(2,195)
Net income from continuing operations (net of tax)	**1,414**	1,849	(435)	**(2,660)**	567	(3,227)
Net income from discontinued operations (net of tax)	**2,564**	(479)	3,043	**102**	(192)	294
Net income from continuing operations	**3,978**	**1,370**	2,608	**(2,558)**	**375**	(2,933)
Per share data:						
Profit (loss) per share (Basic & Diluted) from continuing operations	**0.02**	0.03	(0.01)	**(0.04)**	0.01	(0.05)
Profit (loss) per share (Basic & Diluted) from discontinued operations	**0.04**	(0.01)	0.05	**0.00**	0.00	0.00
Profit (loss) per share (Basic and Diluted) - all operations	**0.06**	0.02	0.04	**(0.04)**	0.01	(0.05)

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.

Subsequent to December 31, 2016, with the approval of the Board of Directors, the Group commenced curtailment of the operations of the Steel Fabrication segment in all material respects, and redeployed those assets into the Media-Based Attractions segment to support the existing capacity and planned growth of this operating segment. Management believes that continuing to operate the industrial structural steel supply business on a stand-alone basis is not the best use of the Group's capital. The domestic steel fabrication market outlook has taken a demonstrable turn for the worse that was further aggravated by long term structural disadvantages, negatively impacting the industrial, commercial and institutional market in Western Canada. This combined with excess steel fabrication capacity does not bode well for this market going forward. In the immediate future, the Group will right-size and consolidate its industrial steel fabrication activities in Western Canada and China to match its Media-based Attractions requirements for fabricated steel. The re-deployment of the Steel Fabrication segment assets into the Media-based Attractions segment is expected to improve the Group's financial performance in the future. It will also allow management to focus even more on the Media-based Attractions business.

The spin-out of our Manufactured Products segment (Tornado Global Hydrovacs) into a stand-alone publicly traded company in mid 2016 plus the steel fabrication redeployment in early 2017 has sharply increased Empire's focus on its Media-based Attractions segment.

The Group has successfully positioned itself to become a globally competitive leader in the higher margin, rapidly growing, media-based attractions market niche. The Group expects to benefit from its strategic focus on a market niche that is projected to grow rapidly for many years to come. Contract backlog as of December 31, 2016 was $109 million. This is down from $125 million as of September 30, 2016, but that is well within the Group's typical backlog fluctuation, driven by the fact that contracts are typically large and are not awarded on a regularly scheduled basis. The Group has a record high pipeline of proposals outstanding, and expects several to be converted into major contracts in the near future.

The annual global attractions trade show in Orlando in mid-November continued to provide Dynamic Attractions with momentum, winning two prestigious awards, further confirming that it is strategically well positioned in this vibrant industry.

Profit performance is expected to improve as the Group moves from first generation products into second generation products, taking advantage of the learning curve. There was a large mix of proprietary, first generation products in our work in process during 2016 negatively impacting margins over the balance of our other work. This high mix of first generation products is expected to decrease in 2017 and afterwards as they get delivered and the mix of "build to print" work increases.

There are several strategic moves the Group has made in the United States that are already paying dividends and this trend is expected to increase going forward. Our Media-based Attractions segment's Unlimited Attractions™ division in Orlando is gathering momentum by converting our proprietary ride systems into attractions by adding various show elements that we did not provide before. Additionally, our Orlando-based ride system design and assembly staff is increasing significantly where there is a larger pool of experienced, ride system people to draw from, and our 57,000 square foot customer prototyping facility is offering prospective customers a much broader range of the services than we did before.

The weaker Canadian dollar will continue to positively impact profit margins because the Media-based Attractions are sold predominantly in US dollars. There are costs that are incurred in US dollars as well, but there continues to be a net advantage of manufacturing in Canada and exporting in US dollars.

Dynamic Structures' award of a $10 million contract to complete the conceptual design and produce the detailed design for the Thirty Meter Telescope (TMT) enclosure is well underway and will continue to contribute to our bottom line throughout 2017. A decision selecting the TMT site will take place in 2017 and the supply and installation contract is expected to be awarded shortly thereafter. We remain confident that the TMT enclosure will be supplied and installed by Dynamic Structures, because it is the only company that has this specialized expertise, having designed and built more than half the world's large telescope enclosures.

The Group will continue to shelter its profits from income tax through the utilization of loss carry forwards and investment tax credits. On a simplified basis, the Group's $7.1 million of deferred tax assets at December 31, 2016 will continue to shield the Group from cash tax expense on approximately $26.3 million of future taxable income at the current statutory tax rates.

2016 Results Review

Revenues

Revenues from continuing operations in 2016 declined by $13.2 million to $118 million. The decline was driven by a $12.4 million reduction in revenues in the Group's Steel Fabrication Services segment. The segment continued to endure the challenges of obtaining sufficient volumes and necessary pricing in the Western Canadian economy during 2016. This has culminated with management's decision in early 2017 to cease actively pursuing third party Steel Fabrication revenue opportunities from its Edmonton location and rather re-deploy those assets to the Group's Media-based Attractions segment to support its ongoing and increasing fabrication needs.

Revenues from continuing operations in 4Q16 declined by $6.1 million to $27.5 million compared to the same quarter in 2015. Unlike the year-over-year variance, this decline was due to the Group's Media-based Attractions segment, which saw decreased revenues of $5.6 million compared to the same quarter in 2015. Because the segment works on large longer-term projects, revenues can fluctuate depending on the status of certain contracts and the milestones being worked on in a given period.

Adjusted Gross Margins

Adjusted gross margins from continuing operations improved by 1.54% compared to 2015 on an annual basis. This overall increase was comprised of a 1.7% increase in the Group's Media-Based Attractions segment, offset by a 4.9% reduction in the Group's Steel Fabrication Services segment. Driving the increase in the Media-based Attraction segment's adjusted gross margin was an increase in investment tax credits recognized of $0.9 million compared to the previous year. The decline in the Steel Fabrication Services segment's adjusted gross margin was driven by lower volumes and insufficient returns on the volume executed.

The adjusted gross margins from continuing operations improved by 1.4% compared to the same quarter in 2015. Consistent with the variance on an annual basis, the adjusted gross margin in 4Q16 was impacted by the recognition of investment tax credits by the Media-based Attractions segment and 4Q16 was the most difficult of the four quarters in 2016 for the Steel Fabrication Services segment as outlined in the segment detail provided in this MD&A.

Selling, General and Administrative Costs

Selling, general and administrative costs increased by $2.0 million in 2016 compared to 2015. Selling, general and administrative costs increased by $2.6 million in the Media-based Attractions segment offset by reductions of $0.5 million and $0.1 million in the Steel Fabrication Services and Corporate segments respectively.

The increase in selling, general and administrative expenses in the Media-based Attractions segment is driven by an increase in overall expenses but also an increase in the proportion of such expenses incurred in the segment's Orlando facility compared to its Port Coquitlam facility. This results in an increase due to the translation impact of the stronger US dollar. Approximately $2.1 million of expenses were reduced in Canada and replaced in the US as compared to 2015. With an average exchange rate for 2016 of 1.3248, this increased the segment's reported selling, general and administrative expenses by $0.7 million. In addition, the US operations incurred an additional $1.3 million in selling, general and administrative expenses during the year due to having full year of operations and continuing to grow. This additional $1.3 million in total expenditures in the US carries an additional $0.4 million in reported expenditures for the segment based on the average exchange rate for the year of 1.3248. The segment's Canadian operations increased its selling, general and administrative expenses by approximately $0.2 million on a net basis.

Selling, general and administrative expenses in 4Q16 increased by $0.8 million compared to the same period in 2015. The Media-based Attractions segment increased by $1.1 million offset by reductions of by a reduction in selling, general and administrative expenses in the Corporate segment of $0.3 million.

Adjusted EBITDA

Adjusted EBITDA for the year ended December 31, 2016 of $5.6 million was $2.5 million less than 2015. This was due to an increase in the Adjusted EBITDA loss in the Steel Fabrication Services segment of $1.7 million compared to 2015 and a reduction in Adjusted EBITDA in the Media-Based Attractions segment of $1.0 million and a reduction of $0.2 million in the adjusted EBITDA loss of the Corporate segment.

Adjusted EBITDA for 4Q16 of $1.2 million was $1.8 million less than the same quarter in 2015. This reduction in Adjusted EBITDA for the quarter is driven entirely by the adjusted EBITDA loss of $1.9 million by the Steel Fabrication Services segment.

Cashflow Generated by Operations

The Group's Cashflow Generated by Operations decreased by $2.9 million to $4.2 million in 2016 when compared to the previous year. Declines in Adjusted EBITDA and increased finance costs outlined above are the driver behind the decrease from 2015. In 4Q15, the Group's Cashflow Generated by Operations decreased by $2.2 million to $0.7 million when compared to the same three-month period in 2015.

Depreciation and Amortization

Depreciation of property, plant and equipment increased by $1.05 million in 2016 compared to 2015. This increase was due to a full year of depreciation of the $4.2 million of additions recorded in 2015 and the commencement of depreciation of the $5.3 million of additions recorded by the Group in 2016.

Amortization of intangible assets increased by $0.8 million in 2016 compared to 2015. Consistent with property, plant and equipment, the amortization of intangible assets has increased due to full year amortization expense of $3.2 million in additions from 2015 and the commencement of amortization of $6.9 million of additions in 2016.

Depreciation and amortization expense increased $1.2 million in 4Q16 compared to the same three-month period in 2015 as a result of the same factors outlined on an annual basis. The impact in 4Q16 was more pronounced as the Group refines its estimates on an annual basis coinciding with the fourth quarter.

Finance Costs

Finance costs increased by $0.3 million in 2016 over 2015 which is driven directly by the increase in long-term debt outstanding by the Group at December 31, 2016 as compared to the December 31, 2015. The Group raised $18.5 million in long-term debt in 2016 as opposed to $0.3 million in the previous year.

Finance costs in 4Q16 increased $0.4 million over 4Q15 because of the increased debt levels discussed above. $15.3 million of the long-term debt raised by the Group was raised at the beginning of 4Q16 which is why the annual variance in finance costs is driven by the 4Q16 variance.

Share of profit (loss) from associate

The Group recorded a loss from its Associate investment in ACE Industrial Services Ltd. in Fort McMurray, Alberta of $0.5 million in 2016 compared to a minimal profit recorded in 2015. This investment has been affected by the overall downturn in the Western Canadian economy over the past 24 months but also incurred incremental challenges associated with the wild fires that swept through the region in the spring of 2016.

In 4Q16 the group recorded a loss from ACE Industrial Services Ltd. of $0.15 million compared to a profit of $0.15 million recorded during the same period in 2015, driven by the same reasons as discussed above.

Stock-based compensation

The Group recorded stock based compensation expense in 2016 of $0.6 million which is an increase $0.4 million over the same period in 2015. The increase in stock based compensation is correlated to 2,008,750 options issued in 2016 versus 812,500 issued in 2015.

Stock-based compensation expense in 4Q16 was minimal and consistent with the 4Q15 with moderate charges relating to ongoing amortization of unvested options in the quarter.

Fair value changes in derivative financial instruments

The Group recorded a gain of $4.4 million in 2016 on changes to the fair value of its outstanding foreign currency forward contracts. In 2015 the Group recorded a loss $2.1 million. At December 31, 2015 the Group had a fair value liability recorded relating to its foreign currency forward contracts of $3.8 million compared to an asset of $0.6 million recorded as at December 31, 2016. The reason for large change in fair value is because the outstanding forward contracts of $34.1 million at December 31, 2016 had a weighted average forward rate of 1.3591 versus the year-end exchange rate of 1.3427. At December 31, 2015, the Group had $38.1 million of outstanding forward contracts outstanding with a weighted average forward rate of $1.2834 versus a year-end exchange rate of 1.3840.

The fair value changes are driven primarily by the rate differential between the forward rates and the actual rates on the valuation dates which for these financial statements and MD&A is December 31, 2016 and 2015.

In 4Q16, the Group recorded a fair value loss on derivative financial instruments of $0.6 million compared to loss of $0.8 million recorded in same period in 2015. The loss in 4Q16 was driven by rate differentials as the at the beginning of the quarter as the Group has $33.2 million outstanding foreign currency forward contracts outstanding with valued against an exchange rate of 1.3117. the increase in the actual rate exchange rate from the beginning to the end of the quarter resulted in the reduction in the fair value of the foreign currency forward contracts.

Impairment, loss on disposal and other items

The Group recorded an impairment charge of $1.0 million in 2016 relating to a previously developed and patented technology design. Management concluded that there was significant uncertainty relating to its future use. In 2015, the Group incurred a charge of $0.1 million to a note receivable for which collection was deemed unlikely and other non-operating charges of $0.15 million.

The Group recorded the impairment charge discussed above in 4Q16 and in 4Q15 recorded the $0.1 million charge for the uncollectible note receivable and $0.1 million of non-operating expenses.

Net income (loss) from discontinued operations

The Group completed the spin out of the assets and liabilities and sale of its Hydrovac Truck manufacturing business in 2016. This division had previously been reported in the operating results of the Group, identified as the “Manufactured Products” segment. During 2016, Group reported the operating results and the results of the disposition of this division as a discontinued operation.

In 2016, up to June 28 when the spin out and sale was completed, the Group’s discontinued operations had $9.1 million of revenues and an operating loss of $0.7 million before tax. In the full year of 2015, this operation realized revenues of $20.2 million and an operation loss of $0.5 million. The Group realized a gain on the spin out transaction in the amount $3.3 million net of tax which is yielding the income from discontinued operations in 2016 of $2.6 million. There was minimal activity in discontinued operations in 4Q16.

Income tax expense

The Group's cash tax expense decreased by $0.1 million in 2016 compared the previous year. Deferred tax expense increased by $0.6 million in 2016 as compared 2015. Deferred tax expense arises from the utilization of recorded deferred tax assets consisting of loss carry forwards, temporary differences and investment tax credits.

In 4Q16, the Group's cash tax expense decreased by $0.2 million compared to the same period in 2015 as the Group had no material cash tax expense in 4Q16. In 4Q16, the Group reclassified $0.2 million of deferred tax expense to its discontinued operations which yielded a deferred tax recovery in the quarter. Conversely the Group's entire deferred tax expense charge of $0.7 million was recorded in 4Q15.

As at December 31, 2016 the Group has recorded deferred tax assets of $7.1 million which is an increase of $1.3 million compared to December 31, 2015. The net increase in deferred tax assets was the recognition of $2.8 million in investment tax credits in 2016 offset by the utilization of loss carry forwards to offset cash tax expense at December 31, 2016. On a simplified basis, the Group's $7.1 million of deferred tax assets at December 31, 2016 will continue to shield the Group from cash tax expense on $26.3 million of future taxable income at the current statutory tax rates.

Net income

The Group's net income increased by $2.6 million in 2016 to $4.0 million compared to net income of $1.4 million in 2015. In 4Q16, the Group's net income decreased by $2.9 million to a loss of $2.5 million in the quarter compared to net income of $0.4 million in same period in 2015. These changes were driven largely by the factors discussed above throughout the 2016 Results Review section.

Significant Events

- On February 1, 2016, the Group announced its proposal to spin out and sell its Hydrovac business (the Manufactured Products segment) into a separate publicly traded company on the TSX Venture Exchange. The proposal called for Empire shareholders to own 54.5%, with a Chinese partner owning the remaining 45.5%. When all the transactions associated with the proposal are completed, the spin out company will have approximately $10 million of cash and approximately $6 million of operating assets. Empire also announced that the new spinout company closed a private placement of subscription receipts for gross proceeds of approximately $5 million. On March 1, 2016, the Group announced that the Hydrovac spin out company, which is now named Tornado Global Hydrovacs Inc., closed a second private placement of approximately $2.5 million of subscription receipts as part of the previously announced spin out transaction.
- On February 18, 2016, the Group announced that it has engaged Oak Hill Advisors Inc. to provide investor relations services. The objective of the services is to assist the Group in developing and executing a comprehensive corporate communications strategy, informing market participants regarding Empire's business results, growth strategy, strategic transactions and new contracts as they arise.
- On May 13, 2016, the Group renewed its existing credit facilities with CIBC agreeing to a three-year commitment. Commensurate with the renewal the Group obtained an additional $3.1 million of term debt financing.
- On May 18, 2016, the Group announced that, further to its news release of February 1, 2016, Empire has entered into an arrangement agreement (the "Arrangement Agreement") with its wholly-owned subsidiaries, Tornado Global

Hydrovacs Ltd. (“Tornado”) and Tornado Global Hydrovacs Inc. contemplating the spin-out (the “Arrangement”) to Tornado of Empire’s Hydrovac business including all of the tangible and intangible assets, employees and operations of Tornado Trucks, a division of Empire (the “Hydrovac Business”) On May 20, 2016 the information circular was approved for distribution.

- On June, 27, 2016, the Group announced the completion of the above-mentioned arrangement agreement and the completion of a 4 for 1 stock consolidation reducing the number of common shares outstanding to 64,834,119.
- On August 9, 2016, the Group announced that its Dynamic Structures division has been awarded a contract from Canadian Commercial Corporation for the final design and production readiness phases of the Thirty Meter Telescope enclosure. The contract is valued at approximately $10 million, and is expected to be completed by Q1 2018. Subsequent phases of the Canadian enclosure project, including fabrication, shipping the enclosure to the project site, supervision of the enclosure’s installation, and commissioning of the structure, have not yet been awarded.
- On September 20, 2016, the Group announced that its Dynamic Attractions division has been awarded a contract for more than $21 million USD to provide a ride system for a major theme park in Asia. The contract is to be executed over the next 36 months.
- On October 12, 2016, the Group closed a loan facility with Export Development Canada in the amount of $10 million USD. The loan bears interests at the US prime rate plus 2.5% per annum. The principal is to be repaid over 3 years with no payments in the first six month followed by 10 quarterly payments of $1.0 million USD. The proceeds of the facility will be used to improve the working capital position of the Group.

Subsequent Significant Events

- On January 22, 2017, the Group incorporated a wholly-owned foreign enterprise in the People’s Republic of China named Zhejiang Dynamic Structures Engineering Technology Limited. The purpose of this entity will be to expand and improve the Group’s manufacturing capacity in China.

Selected Annual and Quarterly Financial Information

Annual Financial Information **For the years ended**	**2016**	**2015**	**2014**
Sales	**117,987**	131,225	141,156
Profit from continuing operations	**1,414**	1,849	6,064
Profit (loss) from discontinued operations	**2,564**	(479)	-
Profit from all income operations	**3,978**	1,370	6,064
Profit (loss) per share:			
Basic	**0.06**	0.02	0.10
Diluted	**0.06**	0.02	0.09
Total Assets	**78,718**	80,140	68,296
Total long-term financial liabilities	**13,089**	2,937	4,001
Cash dividends declared per common share	**-**	-	-

Quarterly Financial Information **For the years ended**	**2016 Q4**	**2016 Q3**	**2016 Q2**	**2016 Q1**	**2015 Q4**	**2015 Q3**	**2015 Q2**	**2015 Q1**
Sales	27,531	32,330	30,348	27,778	33,665	38,365	30,611	28,584
Profit (loss) from continuing operations	(2,660)	(269)	218	4,125	567	1,162	813	(693)
Profit (loss) from discontinued operations	102	(43)	2,868	(363)	(192)	(172)	77	(192)
Profit (loss) per share:								
Basic & Diluted - continuing ops	(0.04)	(0.00)	0.00	0.06	0.01	0.02	0.01	(0.01)
Basic & Diluted - discontinued ops	0.00	(0.00)	0.04	(0.00)	(0.00)	(0.00)	0.00	(0.01)
Basic & Diluted - all operations	(0.04)	0.00	0.04	0.06	0.00	0.02	0.01	(0.02)

Liquidity and Capital Resources

Working Capital and Liquidity

For the year ended December 31, 2016, the Group's continuing operations generated $2.4 million of cash, compared with $5.1 million of cash in 2015 excluding the impact of changes in non-cash working capital amounts. The Group expects that its operations will generate sufficient cash on a go-forward basis to meet the Group's obligations.

The Group has a $15.0 million revolving credit facility with CIBC, of which $6.8 million was drawn as of December 31, 2016. The Group's marginable assets at December 31, 2016 were $15.9 million, which is $9.1 million more than the Group's total draw on the operating line.

The Group made $1.9 million of cash principal repayments during the year which includes $0.7 million repaid on convertible debentures that matured in the year. Total long-term debt of $20.7 million as at December 31, 2016 consisted of $6.1 million of term debt with CIBC, $13.4 million of term debt with EDC, $0.3 million under finance leases, and $0.9 million of a limited recourse loan.

The Group was in violation of one of its financial covenants at December 31, 2016 for which the waiver for the breach was not obtained until after December 31, 2016. As a result of the timing of the receipt of the waiver, long-term debt amounts due beyond 2017 but subject to the financial covenant were required by IRFS accounting standards to be classified as current for the year-ended December 31, 2016. This reclassification has an adverse effect on the accounting presentation of the Group's working capital position at December 31, 2016.

The table below shows the comparative impact of the Groups working capital position with the reclassification and without the reclassification:

For the periods ended	IFRS Dec 31, 2016 As Reported	Non-IFRS Adjustment	 Dec 31, 2016 Adjusted	IFRS Dec 31, 2015 As Reported	Non-IFRS Adjustment	 Dec 31, 2015 Adjusted
Current Assets	44,511	(647)	43,864	47,494	-	47,494
Less: Cash and equivalents	(102)	-	(102)	(81)	-	(81)
Current Liabilities	(57,421)	11,937	(45,484)	(51,923)	3,324	(48,599)
Non-Cash Working Capital Position	(13,012)	11,290	(1,722)	(4,510)	3,324	(1,186)
Working Capital Ratio	**0.78**		**0.96**	**0.92**		**0.98**

The Group's adjusted working capital ratio has declined moderately when compared to last year at 0.96 to 1 compared with 0.98 to 1 at December 31, 2015. The adjustments identified to calculate the Group's adjusted working capital ratio in 2016 was the long-term portion of CIBC and EDC debt that was classified as current removed from current liabilities as well as the fair value asset relating foreign currency forward contracts. In 2015 the adjustment identified was the current portion Group's fair value liability relating to foreign currency forward contracts.

Shareholders' Equity

Shareholders' equity of $20.1 million at December 31, 2016 is $3.5 million less than the shareholders' equity at December 31, 2015 due largely to the net income in the period of $4.0 million offset by the distribution of the shares received of Tornado Global Hydrovacs Ltd. to its shareholders of $8.3 million. No dividends were declared or paid in the year. The Group maintains a stock option plan for the benefit of officers, directors, key employees and consultants of the Group. The Group had 6,067,500 outstanding options at December 31, 2016. The average exercise price of the outstanding options is $0.40 per share. Of these options, 5,260,416 are currently exercisable at an average exercise price of $0.39 per share.

Market Capitalization

The market capitalization of the Group's 65,937,060 issued and outstanding common shares at April 25, 2017 was $27.0 million or $0.41 per share, which is greater than the Group's book value per share of $0.31 at December 31, 2016. The issued and outstanding common shares at April 25, 2016, together with securities convertible into common shares are summarized in the table below.

Fully Diluted Shares As at April 25, 2017		
Issued and outstanding common shares		**65,937,060**
Securities convertible into common shares		
Warrants	6,925,000	
Stock Options	6,067,500	
Total Securities convertible into common shares		12,992,500
Fully Diluted Shares		**78,929,560**

Segment Performance

The Group's operations consist of three separately identifiable segments, Media-based Attraction, Steel Fabrication Services and Corporate. The Manufactured Products segment was divested during 2016 and is now presented as discontinued operations. The performance of the Group's operating segments are listed below:

Media-Based Attractions

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2016	2015	Variance	2015	2015	Variance
Operating Results:						
Revenues	101,991	102,961	(970)	23,681	29,297	(5,616)
Adjusted gross margin	21,258	19,714	1,544	7,823	7,354	469
Adjusted gross margin %	20.8%	19.1%	1.7%	33.0%	25.1%	7.9%
Adjusted EBITDA	10,594	11,665	(1,071)	3,879	4,537	(658)
Adjusted EBITDA %	10.4%	11.3%	(0.9%)	16.4%	15.5%	0.9%
Adjusted EBIT	7,446	10,296	(2,850)	2,311	4,051	(1,740)
Adjusted EBIT %	7.3%	10.0%	(2.7%)	9.8%	13.8%	(4.1%)

Steel Fabrication

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2016	2015	Variance	2016	2015	Variance
Operating Results:						
Revenues	15,778	28,147	(12,369)	3,816	4,249	(433)
Adjusted gross margin	986	3,131	(2,145)	(1,020)	433	(1,453)
Adjusted gross margin %	6.2%	11.1%	(4.9%)	(26.7%)	10.2%	(36.9%)
Adjusted EBITDA	(2,115)	(465)	(1,650)	(1,899)	(567)	(1,332)
Adjusted EBITDA %	(13.4%)	(1.7%)	(11.8%)	(49.8%)	(13.3%)	(36.4%)
Adjusted EBIT	(2,605)	(873)	(1,732)	(2,138)	(693)	(1,445)
Adjusted EBIT %	(16.5%)	(3.1%)	(13.4%)	(56.0%)	(16.3%)	(39.7%)

Corporate (non-operating)

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2016	2015	Variance	2016	2015	Variance
Operating Results:						
Revenues	218	117	101	34	119	(85)
Adjusted gross margin	218	117	101	34	119	(85)
Adjusted EBITDA	(2,885)	(3,061)	176	(801)	(969)	168
Adjusted EBIT	(2,895)	(3,082)	187	(796)	(990)	194

Other Matters

Critical Accounting Estimates

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

Revenue recognition

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

Cash generating units

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

Allowance for doubtful accounts

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

Valuation of inventory

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

Share-based payments

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

Valuation of Long-lived Assets and Asset Impairment

The Group periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as business and market trends, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying value of the asset, an impairment loss would be recognized based on the excess of the carrying value of the asset over the fair market value calculated using discounted future cash flows.

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

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

Deferred Income Taxes

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

Investment tax credits

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

Risks and Uncertainties

Operating Results

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

Design Risk

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

Project Performance

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

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

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

Cost of Components and Raw Materials

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

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

Liquidity Requirements

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

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

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

Foreign Exchange Risk

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

Global Economic Environment

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

Credit Risk

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

Bonding Capacity

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

Reliance on Key Personnel

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

Competitive Market

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

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

Interest Rate Risk

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

Labour Relations

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

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

Acquisitions

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

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

Environment/Regulatory

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

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

Forward Looking Information

This MD&A contains certain “forward-looking statements.” All statements, other than statements of historical fact, that address activities, events or developments that the Group 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.

Non-IFRS Methods

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

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

Reconciliation of Profit (loss) to Adjusted EBITDA

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2016	2015	Variance	2016	2015	Variance
Profit (loss) - before taxes - continuing ops	**2,823**	2,696	127	**(2,850)**	1,414	(4,264)
Add : Depreciation and amortization	**3,648**	1,800	1,848	**1,801**	634	1,167
Add/Deduct : (Gain) loss on disposal of assets and other (income) loss	**1,001**	253	748	**968**	202	766
Add : Finance costs	**1,425**	1,084	341	**452**	78	374
Add/Deduct : Deduct Share of profit of associate	**501**	(26)	527	**153**	(146)	299
Add/Deduct : Fair value of changes of foreign currency option contracts	**(4,398)**	2,126	(6,524)	**610**	780	(170)
Add : non cash stock-based compensation	**594**	206	388	**45**	38	7
Adjusted EBITDA	**5,594**	8,139	(2,545)	**1,179**	3,000	(1,821)

Calculation of Adjusted EBIT

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2016	2015	Variance	2016	2015	Variance
Adjusted EBITDA	**5,594**	8,139	(2,545)	**1,179**	3,000	(1,821)
Less : Depreciation and amortization	***(3,648)***	*(1,800)*	(1,848)	***(1,801)***	*(634)*	(1,167)
Adjusted EBIT	**1,946**	6,339	(4,393)	**(622)**	2,366	(2,988)
% of revenue	**1.6%**	4.8%	(3.2%)	**(2.3%)**	7.0%	(9.3%)

Calculation of Adjusted Gross Margin

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2016	2015	Variance	2016	2015	Variance
Revenues	**117,987**	131,225	(13,238)	**27,531**	33,664	(6,133)
Cost of sales excluding depreciation and amortization	**(95,525)**	(108,263)	12,738	**(20,694)**	(25,759)	5,065
Adjusted gross margin	**22,462**	22,962	(500)	**6,837**	7,905	(1,068)
% of revenue	**19.04%**	17.50%	1.54%	**24.83%**	23.48%	1.35%

Calculation of Cashflow Generated by Operations

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2016	**2015**	**Variance**	**2016**	**2015**	**Variance**
Adjusted EBITDA	**5,594**	8,139	(2,545)	**1,179**	3,000	(1,821)
Less: Finance Costs	**(1,425)**	(1,084)	(341)	**(452)**	(78)	(374)
Cashflow Generated by Operations	**4,169**	7,055	(2,886)	**727**	2,922	(2,195)

EMPIRE INDUSTRIES LTD

Consolidated Financial Statements

December 31, 2016

Audited

2016

Independent Auditors' Report

To the Shareholders of Empire Industries Ltd.:

We have audited the consolidated financial statements of Empire Industries Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Empire Industries Ltd. and its subsidiaries as at December 31, 2016 and December 31, 2015, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Winnipeg, Manitoba
April 25, 2017

MNP LLP

Chartered Professional Accountants

Consolidated Statement of
Comprehensive Income

For the years ended December 31 (In $000's CAD, except where otherwise indicated)	Notes	2016	2015
Revenues[(1)]		**117,987**	131,225
Cost of sales, excluding depreciation and amoritzation[(2)]	18	**(95,525)**	(108,263)
Gross Profit, excluding depreciation and amortization		**22,462**	22,962
Selling and administration expenses	19	**(16,868)**	(14,823)
Result before depreciation, amortization finance costs, and other items		**5,594**	8,139
Finance costs	20	**(1,425)**	(1,084)
Result before depreciation, amortization and other items		**4,169**	7,055
Depreciation of property, plant and equipment	9	**(2,077)**	(1,035)
Amortization of intangible assets	8	**(1,571)**	(765)
Result before other items of income		**521**	5,255
Share of (loss) profit from associate	10	**(501)**	26
Stock-based compensation	17	**(594)**	(206)
Fair value changes in derivative financial instruments	26	**4,398**	(2,126)
Impairment, losses on disposal and other items	21	**(1,001)**	(253)
Net Income from continuing operations before tax		**2,823**	2,696
Net income (loss) from discontinued operations (net of tax)	28	**2,564**	(479)
Income tax (expense) recovery			
Current	23	**(130)**	(192)
Deferred	23	**(1,279)**	(655)
		(1,409)	(847)
Net income		**3,978**	**1,370**
Other comprehensive loss		**(57)**	(13)
Comprehensive income		**3,921**	1,357

Income per share continuing operations - basic & diluted	22	**0.02**	0.03
Income per share discontinued operations - basic & diluted	22	**0.04**	(0.01)
Income per share all operations - basic & diluted	22	**0.06**	0.02

(1) Included in revenue are foreign exchange gains of $1,085 for the year ended December 31, 2016 (2015 - $1,522)

(2) Cost of sales including depreciation and amortization was $98,155 for the year ended December 31, 2016 (2015 - $109,704)

Cost of sales excluding depreciation and amortization includes investment tax credits of $1,835 of which $755 were previously unrecognized (2015 - $916 all of which were previously unrecognized)

See accompanying notes

EMPIRE INDUSTRIES LTD

Consolidated Statement of
Financial Position

As at	Notes	Dec 31, 2016	Dec 31, 2015
(In $000's CAD, except where otherwise indicated)			
ASSETS			
Current assets			
Cash and cash equivalents	13	102	81
Accounts receivable	5	40,933	44,596
Inventory	7	1,486	1,629
Prepaid expenses		1,343	1,188
Derivative financial instruments	26	647	-
Total current assets		44,511	47,494
Assets held for sale		-	8,674
Non-current assets			
Property, plant and equipment and investment property, net	9	13,983	11,029
Intangible assets, net	8	7,762	4,132
Deferred tax assets	23	7,138	5,829
Note receivable	11	2,814	-
Investment in associate	10	1,489	1,990
Advances to associate	10	929	885
Other non-current assets		92	107
Total non-current assets		34,207	23,972
Total assets		78,718	80,140
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness	13	6,856	6,391
Accounts payable and accrued liabilities	12	23,886	20,626
Deferred revenue from construction contracts	6	7,269	19,590
Current income taxes payable	23	-	138
Current portion of long-term debt	14	7,473	903
Long-term debt classified as current	14	11,937	-
Current portion of convertible debentures	16	-	951
Current portion of derivative financial instruments	26	-	3,324
Total current liabilities		57,421	51,923
Liabilities of disposal group		-	1,620
Non-current liabilities			
Long-term debt	14	197	1,526
Limited recourse loan	15	955	984
Derivative financial instruments	26	-	427
Total non-current liabilites		1,152	2,937
Total Liabilities		58,573	56,480
SHARHOLDERS' EQUITY			
Share capital	17	8,300	7,955
Equity component of convertible debentures	16	-	144
Contributed surplus	17	4,413	3,721
Retained earnings - opening	17	11,853	10,483
Net income	17	3,978	1,370
Dividend distribution of TGHL shares	17	(8,329)	-
Retained earnings - closing		7,502	11,853
Accumulated other comprehensive loss		(70)	(13)
Total shareholders' equity		20,145	23,660
Total liabilities and shareholders' equity		78,718	80,140

Guarantees and contingencies *[note 30]*
See accompanying notes

On behalf of the Board of Directors:

Ian Macdonald
Director

Director

As at December 31, 2016

	Share capital	Equity component of convertible debentures	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
(In $000's CAD, except where otherwise indicated)						
As at December 31, 2015	**7,955**	**144**	**3,721**	**11,853**	**(13)**	**23,660**
Dividend distribution of shares of TGHL	-	-	-	(8,329)	-	(8,329)
Conversion of convertible debenture	345	(144)	98	-	-	299
Net income for the year	-	-	-	3,978	-	3,978
Other comprehensive loss	-	-	-	-	(57)	(57)
Stock-based compensation	-	-	594	-	-	594
As at December 31, 2016	**8,300**	**0**	**4,413**	**7,502**	**(70)**	**20,145**

As at December 31, 2015

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

See accompanying notes

EMPIRE INDUSTRIES LTD

Consolidated Statements of
Cash Flows

(In $000's CAD, except where otherwise indicated)	2016	2015
OPERATING ACTIVITIES		
Income from continuing operations after tax	**1,357**	1,836
Add (deduct) items not affecting cash :		
Depreciation of property, plant and equipment	**2,077**	1,035
Amortization of intangible assets	**1,571**	765
Impairment of intangible assets	**952**	-
Finance costs paid on short-term borrowings	**767**	875
Share of profit from associate investments	**501**	(26)
Stock-based compensation	**594**	206
Fair value changes in derivative financial instruments	**(4,398)**	2,126
Other items affecting cash flow (note 31)	**(1,169)**	(1,213)
Investment tax credits recorded in cost of sales	**(1,835)**	(1,133)
Deferred income taxes	**2,030**	655
Cash from (used in) continuing operations	**2,447**	5,126
Cash flow from (used in) discontinued operations	**(2,120)**	(146)
Net change in non-cash working capital balances	**(6,597)**	6,479
Cash (used in) from operating activities	**(6,270)**	11,459
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment *(note 9)*	**(5,279)**	(4,177)
Acquisition of other long term assets	**(233)**	(36)
Proceeds from repayment of note receivable from TGHL	**120**	-
Proceeds from sale of items of property, plant and equipment	**-**	3
Acquisiton of intangible assets *(note 8)*	**(6,902)**	(3,161)
Decrease (increase) amounts due from an associate	**32**	126
Cash used in investing activities of continuing operations	**(12,262)**	(7,245)
Cash used in investing activities of discontinued operations	**(98)**	(890)
Cash used in investing activities	**(12,360)**	(8,135)
FINANCING ACTIVITIES		
Proceeds received from warrants and stock options exercised	**-**	54
Proceeds received from long-term debt and finance leases	**18,548**	299
Repayment of long-term debt	**(1,252)**	(874)
Repayment of convertible debentures	**(670)**	-
Finance costs paid on long-term borrowings	**(418)**	(344)
Cash from (used in) financing activites of continuing operations	**16,208**	(865)
Cash used in financing activities of discontinued operations	**(37)**	(42)
Cash flow from (used in) financing activities	**16,171**	(907)
EFFECT OF TRANSLATION OF FOREIGN CURRENCY CASH & EQUIVALENTS	**2,015**	1,027
Net (decrease) increase in cash and equivalents during the period	**(444)**	3,444
Cash and cash equivalents, beginning of period	**(6,310)**	(9,754)
Cash and cash equivalents, end of period	**(6,754)**	(6,310)
Cash and cash equivalents is comprised of :		
Cash	**102**	81
Bank indebtedness	**(6,856)**	(6,391)
	(6,754)	(6,310)

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

1. Corporate information

Empire Industries Ltd. ("Empire or the Group") designs, fabricates, manufactures, erects and sells proprietary engineered products throughout the world. Key customer sectors include the entertainment industry, natural resource infrastructure, manufacturing 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 and were approved and authorized for issue by the Board of Directors on April 25, 2017.

2. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements are prepared for the year ended December 31, 2016 and include the results for the comparative year ended December 31, 2015. 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 its subsidiaries (the "Group"). These consolidated financial statements have been presented in Canadian dollars which is the functional currency of the Group.

Statement of compliance

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

Basis of consolidation

The consolidated financial statements include the accounts of Empire Industries Ltd. and its wholly owned subsidiaries:

	Jurisdiction / Functional Currency	Ownership (%)	Main Activity
Empire Iron Works Ltd.	CAN/CAD	100%	Industrial steel engineering and manufacturing
Dynamic Attractions Ltd.	CAN/CAD	100%	Media-based attraction integrator
Dynamic Attractions Inc.	US/USD	100%	Retail sales
Empire Industries HK Ltd.	HK/CAD	100%	Holding Company
1366377 Texas Inc.	US/USD	100%	Holding Company
ACE Industrial Services Ltd.	CAN/CAD	49%	Welding, machining & fabrication
Qiguang Dynamic Structures Ltd.	PRC/RMB	45%	Industrial steel engineering and manufacturing
Dynamic Optics Inc.	CAN/CAD	100%	Holding Company
1868480 Alberta Ltd.	CAN/CAD	100%	Holding Company

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

Business combinations

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

Investment in associates

An associate is an entity over which the Group has significant influence (i.e. the power to participate in the financial and operating policy decisions of the associate) but not have control or joint control. Investments in associates are accounted for using the equity method. The share of income of associates is recognized in the consolidated statement of comprehensive income and its share of other comprehensive income of associates is included in other comprehensive income.

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

Foreign currency translation

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

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

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

Revenue recognition

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

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

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

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

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

Income taxes

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

Current tax

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

Deferred tax

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

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

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

Investment tax credits

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

Non-current assets held for sale and discontinued operations

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

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

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

Property, plant and equipment and investment property

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

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

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

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

Leases

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

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

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

Borrowing costs

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

Intangible assets

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

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

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

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

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

Impairment of non-financial assets

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

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

Cash and cash equivalents

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

Inventory

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

Financial instruments

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

Hierarchy of fair value measurements

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

Level 1

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

Level 2

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

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

Financial assets
Financial assets are classified into the following specified categories:

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

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

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

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

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

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

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

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

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

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

transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Operating Segment	Description
Media-based Attractions	Design and manufacture complex ride systems, telescopes and custom machinery and equipment. Turn key supplier of premium entertainment attractions and provider of parts and service of amusement park attractions. Leased production facilities in Port Coquitlam, BC. Leased sales offices in Orlando FL, Arlington, TX and Toronto, ON.
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.

Operating Segment	Description
Corporate	Head office located in Winnipeg. Executive management, managerial and financial oversight, business development and compliance requirements for the overall organization as well as management services to the other operating segments.

Post-retirement benefit plans

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

3. Significant accounting judgements, estimates and assumptions

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

Critical judgements made in applying the Group's accounting policies

Cash generating units

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

Key sources of estimation uncertainty

Revenue recognition

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

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

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

Allowance for doubtful accounts

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

Assets and liabilities held for sale

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

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

As at December 31, 2016 the Group has not designated any assets as held for sale.

Valuation of inventory

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

Share-based payments

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

Intangible assets

Expenditures of research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in profit or loss as incurred (note 19). Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product of process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset (note 8).

Impairment of non-financial assets

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

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

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

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

Deferred Taxes

The Group accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on deductible or taxable temporary differences between the carrying amounts and tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured using substantially enacted tax rates expected to apply in the years in which the temporary differences are expected to reverse. If the estimates and assumptions are modified in the future, the Group may be required to reduce or increase the value of deferred tax assets or liabilities resulting in, where applicable, an income tax expense or recovery. The Group regularly evaluates deferred tax assets and liabilities. As at December 31, 2015 the Group has an asset of $7,138 (2015 - $5,829) pertaining to projected future use based on management's budget and estimates. Management has recorded investment tax credit using costs and project methodologies that had been previously accepted as filed.

4. Standards issued but not yet effective

As of January 1, 2017 or later dates, the Group will be required to adopt certain standards and amendments issued by the IASB as described below, for which the Group is currently assessing the impact. Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for these consolidated financial statements. The Group reasonably expects the following standards to be applicable to its consolidated financial statements at a future date as listed below:

IFRS 9 Financial instruments

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

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 *Construction contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers* and SIC-31 *Revenue – barter transactions involving advertising services*. The standard provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The five steps are:

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

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

IFRS 16 Leases

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

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

5. Accounts receivable

	Dec 31, 2016	Dec 31, 2015
Trade	**9,339**	14,903
Unbilled construction contract receivables (note 6)	**30,851**	28,569
Other receivables	**847**	1,124
Allowance for doubtful accounts	**(104)**	-
	40,933	44,596

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

	Dec 31, 2016	Dec 31, 2015
< 30 days	**4,686**	3,319
> 30 days	**1,613**	2,745
> 60 days	**402**	2,572
> 90 days	**966**	1,933
Holdbacks	**1,672**	4,334
	9,339	14,903

6. Construction contracts

	Dec 31, 2016	Dec 31, 2015
Construction costs incurred and estimated profits, less recognized losses to date	**186,054**	192,283
Less: Progress billings	**(162,472)**	(183,304)
	23,582	8,979
Items recognized and included in the consolidated financial statements as:		
Unbilled construction contract receivables (note 5)	**30,851**	28,569
Deferred revenue from construction contracts	**(7,269)**	(19,590)
	23,582	8,979

7. Inventories

Inventories are comprised of the following:

	Dec 31, 2016	Dec 31, 2015
Raw Materials	**1,421**	1,390
Work-in-progress	**65**	239
	1,486	1,629

During the year, the Group recorded inventory write-downs of $nil (2015 - $50). The amount of inventories recognized as an expense within cost of goods sold is $596 (2015 - $385).

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

8. Intangible assets

	Product Design	Patents	Total
Opening cost balance December 31, 2014	**1,143**	**1,278**	**2,421**
Additions	1,391	1,687	3,078
Ending cost balance December 31, 2015	2,534	2,965	5,499
Opening amortization balance December 31, 2014	316	122	438
Amortization expense for the year	359	570	929
Ending amortization balance December 31, 2015	675	692	1,367
Opening net book value December 31, 2014	827	1,156	1,983
Ending net book value December 31, 2015	**1,859**	**2,273**	**4,132**
Opening cost balance December 31, 2015	**2,534**	**2,965**	**5,499**
Additions	3,674	3,228	6,902
Investment tax credits	(366)	(383)	(749)
Disposals	(706)	(1,219)	(1,925)
Ending cost balance December 31, 2016	5,136	4,591	9,727
Opening amortization balance December 31, 2015	675	692	1,367
Amortization expense for the year	701	870	1,571
Disposals	(706)	(267)	(973)
Ending amortization balance December 31, 2016	670	1,295	1,965
Opening net book value December 31, 2015	**1,859**	**2,273**	**4,132**
Ending net book value December 31, 2016	**4,466**	**3,296**	**7,762**

The Group's Media-based attractions operating segment has designated certain proprietary product designs and other items under development that will be patented as internally generated intangible assets. During the year, the Group re-classed specific items with an opening historical cost base of $809 and opening accumulated amortization of $221 from product designs to patents when it was determined that the specific assets qualified for treatments as patents.

Included in disposals during the year was a product design for which the useful life had been realized and management determined that the design no longer had value to the Group. In addition to that, patented technology was re-designed by the Group resulting in an impairment charge of $952 being recorded by the Group for the previous technology due to its uncertainty regarding future use. Should those circumstances change in future accounting periods, the Group will consider reversing all or some portion of the impairment charge recorded.

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

9. Property, plant and equipment and investment property

	Land	Building	M&E	Office Equip.	Lease-holds	Vehicles	Parking Lots	Total
	$	$	$	$	$	$	$	$
COST								
Balance, December 31, 2014	**850**	**2,996**	**10,159**	**2,865**	**716**	**172**	**45**	**17,803**
Additions		1,108	897	1,089	1,012	71		4,177
Investment tax credits received	-	-	(81)	-	-	-	-	(81)
Disposals	-	-	(231)	(101)	-	(2)	-	(334)
Balance, December 31, 2015	**850**	**4,104**	**10,744**	**3,853**	**1,728**	**241**	**45**	**21,565**
DEPRECIATION								
Balance, December 31, 2014	**0**	**872**	**5,939**	**2,582**	**228**	**141**	**26**	**9,788**
Depreciation charge for the year	-	130	526	216	141	16	4	1,033
Disposals	-	-	(230)	(53)	-	(2)	-	(285)
Balance, December 31, 2015	**0**	**1,002**	**6,235**	**2,745**	**369**	**155**	**30**	**10,536**
Net book value, December 31, 2015	**850**	**3,102**	**4,509**	**1,108**	**1,359**	**86**	**15**	**11,029**
COST								
Balance, December 31, 2015	**850**	**4,104**	**10,744**	**3,853**	**1,728**	**241**	**45**	**21,565**
Additions	-	349	2,711	993	1,220	3	3	5,279
Investment tax credits received	-	-	(224)	-	-	-	-	(224)
Cumulative translation adjustments	-	-	-	(7)	(17)	(1)	-	(25)
Disposals	-	-	-	(19)	0	(2)	-	(21)
Balance, December 31, 2016	**850**	**4,453**	**13,231**	**4,820**	**2,931**	**241**	**48**	**26,574**
DEPRECIATION								
Balance, December 31, 2015	**-**	**1,002**	**6,235**	**2,745**	**369**	**155**	**30**	**10,536**
Depreciation charge for the year	-	210	819	499	519	27	3	2,077
Cumulative translation adjustments	-	0	0	0	(1)	0	0	(1)
Disposals	-	0	0	(19)	0	(2)	0	(21)
Balance, December 31, 2016	**-**	**1,212**	**7,054**	**3,225**	**887**	**180**	**33**	**12,591**
Net book value, December 31, 2016	**850**	**3,241**	**6,177**	**1,595**	**2,044**	**61**	**15**	**13,983**

During the year, the Group recorded revenue of $63 from the investment property (2015 - $75) with recoverable direct operating expenses of $37 (2015 - $35). Included in depreciation expense for the year is depreciation of $20 relating to the investment property (2015 - $21). The Group estimates that the net book value of investment property consisting of land of $190 (2015 - $190) and the net book value of the building of $394 (2015 - $415) which the Group estimates approximates the fair value.

Fully amortized items of property, plant and equipment with a historical cost of $2,166 (2015 - $2,709) are still in use by the Group.

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

10. Investment in associates

ACE Equity Accounted for Investments	Dec 31, 2016	Dec 31, 2015
Beginning balance	**1,990**	1,964
Current year equity earnings	**(501)**	26
	1,489	1,990

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

The tables below disclose the assets and liabilities as at December 31, 2016 and December 31, 2015 and income and expenses of ACE for the year ended December 31, 2016 and 2015:

ACE Statement of Financial Position	Dec 31, 2016	Dec 31, 2015
Current assets	**1,813**	3,059
Non-current assets	**2,338**	2,407
Current liabilities	**(874)**	(1,269)
Non-Current liabilities	**(2,294)**	(2,190)
Equity	**983**	2,007

ACE Revenue and Profit (Loss)	Dec 31, 2016	Dec 31, 2015
Revenue	**5,638**	9,561
Profit	**(1,024)**	54

The Group has outstanding long-term advances to ACE Industrial Services Ltd. of $929 (2015 - $885). The unsecured advances accrue interest at 8% per annum with no specified repayment terms. During the year, the Group earned $76 (2015 - $77) in interest income from ACE Industrial Services Ltd and management fees of $60 (2015 - $60).

The Group has a 45% interest in Dongguan Qiguang Dynamic Steel Structures Ltd ("QDSL"), in Dongguan, Guangdong P.R. China which is involved in the steel fabrication and installation business in China which the Group has assessed as immaterial. QDSL is a private entity and is not listed on any public exchange. The Group's share of future equity earnings will be applied to the principal of the limited recourse loan owing to Qiguang Investment (HK) Limited until such time as the principal is repaid in full (note 15). The Group assessed the current fair value of the investment at $nil (2015 - $nil). The Group is not exposed to any additional losses beyond its initial investment amount. The Group has not disclosed any financial information for QDSL as financial information is not available at the date of release.

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

11. Note receivable from TGHL

As partial consideration for the assets and liabilities of Tornado Trucks, the Group received a note receivable in the amount $2,895. The note bears interest at 2.7% payable annually and the principal is repayable over 84 months with principal payments of $20 per month for the first 60 months and then annual payments of $847 on the 72nd month and $848 on the $84th month.

The note receivable is secured by all present and after-acquired property of TGHL, subordinate to TGHL's principal lender (if any) and convertible into Class "A" Shares at the choice of the Group and under certain conditions including but not limited to, a default of the terms of the note payable that are not remedied in accordance with the terms of the agreement.

As at December 31, 2016, the outstanding balance on the note receivable was $2,814 (2015 - $nil) which included accrued interest of $39 (2015 - $nil).

12. Accounts payable and accrued liabilities

	Dec 31, 2016	Dec 31, 2015
Accounts payable and accrued liabilities	**22,830**	**18,516**
Accrued wages, vacation and bonuses payable	**986**	**1,787**
Commodity and other taxes payable	**70**	**323**
	23,886	**20,626**

13. Bank indebtedness and bank operating lines

The Group's cash balance of $102 (2015 - $81) represents funds on deposit. At December 31, 2016, the Group had total draws on its bank operating lines of credit of $6,856 (2015 - $6,391). Advances on the facility are payable on demand and bear interest at Canadian prime rate plus 1.5%. The overdraft facility with a limit of $15,000 (2015 - $15,000) is secured by a general security agreement providing a first security interest in all present and after-acquired property of the Group.

14. Long-term debt

	Dec 31, 2016	Dec 31, 2015
CIBC term loans	**6,084**	2,123
EDC term loan	**13,427**	-
Other finance leases	**255**	348
	19,766	2,471
Deferred finance costs allocated	**(159)**	(42)
	19,607	2,429
Less : current portion of long-term debt	**7,473**	903
Less: long-term debt classified as current	**11,937**	
Long-term portion	**197**	1,526

The CIBC term loan bears interest at prime plus 1.5% and matures on November 1, 2018. The Group makes equal monthly principal payments of $58 plus accrued interest. The CIBC term loan is part of the same facility described in note 13 and is secured by general security agreements providing a first security interest in all present and after-acquired property of the Group. The Group has recorded unamortized financing costs of $113 (2015 - $42) associated with securing the CIBC term loan as a net reduction of the overall long-term debt balance.

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

The EDC term loan bears interest at the US prime rate plus 2% has an outstanding principal balance of $10,000 USD. The loan is repayable in ten quarterly installments of $1,000 USD commencing in April 2017, to be repaid in full by October 2019. The EDC term loan has specific security ascribed to it in co-operation with CIBC and possesses cross-default clauses with the CIBC loan agreement. The Group has recorded unamortized financing costs of $46 (2015 - $nil) associated with securing the EDC term loan as a net reduction of the overall long-term debt balance.

Long-term debt of $11,937 (2015 $nil) was classified as current as the Group was in violation of its Senior Debt to EBITDA covenant in its credit agreement as at December 31, 2016 for which a formal waiver was received after December 31, 2016 but prior to the release of the financial statements.

Other finance leases are for shop equipment that bears interest between 4 - 7% with aggregate monthly payments of $14 maturing between 2016 and 2018. The leases are secured by the assets being leased with a net book value of $421 comprised of $384 of machinery and equipment and $37 of vehicles (2015 - $278 of machinery and equipment and $136 of office equipment).

The Group's long-term debt is scheduled with consideration of the waiver to be repaid over the next five years as follows:

2017	$	7,535
2018		6,720
2019		4,640
2020		612
2021		259
	$	**19,766**

15. Limited recourse loan

The limited recourse loan was issued on November 14, 2011 in the amount of $711 USD (2016 - $955 and 2015 - $984) and the proceeds were used to fund the Group's 45% investment in Dongguan Qiguang Dynamic Steel Structures Limited ("QDSL") in Dongguan, Guangdong, P.R. China (note 10). The loan bears interest at 10% per annum payable quarterly. Security for the loan for Qiguang Investment (HK) Limited is restricted to the Group's shares of QDSL. There is no term on the loan and principal repayments for the loan is restricted only to the Group's share of the equity earnings of QDSL. Total interest expense in 2016 of $94 (2015 - $91) has been paid or accrued on the limited recourse loan with accrued interest of $70 (2015 - $53) recorded in accounts payable at the date of the consolidated statement of financial position.

16. Convertible debentures

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

The Group's two tranches of subordinate convertible debentures matured during the year. The first tranche with a face value of $520 matured on February 13, 2016 and was repaid in full. The second tranche matured on December 28, 2016.

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

Debentures with a face value $300 were converted into common shares and debentures with a face value of $150 were repaid.

The fair value of the subordinated convertible debentures at December 31, 2015 was $951 and was recorded at amortized cost. Fair value was estimated by comparing the face value of the debentures to the prevailing market rates for similar non-convertible debt instruments.

17. Share capital

Common shares

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

	Dec 31, 2016	Dec 31, 2015
Common Shares (issued and outstanding - no par value)	***65,937,060***	***64,834,119***
Share captial - opening balance	**7,955**	**7,798**
Exercise of stock options and warrants	**-**	103
Conversion of convertible debentures	**345**	54
	8,300	7,955

During the period, the Group completed a 4 for 1 stock consolidation of its common shares. The Group now has 65,937,060 shares outstanding after the completion of the consolidation.

In 2016, 1,102,941 shares were issued through the conversion of convertible debentures. The $345 increase in share capital is the conversion of the convertible debenture liability of $299 and the equity portion of the convertible debentures converted of $46. In 2015, 600,000 shares were issued through the exercise of stock options for additional cash proceeds of $54. An additional 500,000 shares issued upon conversion of convertible debentures with a face value of $50.

Warrants

The Group has 6,925,000 warrants outstanding from a private placement of common shares in 2013. Each outstanding warrant entitles the holder to buy one common share at an exercise price of $0.27 per share until July 10, 2018. A summary of the Group's warrants as at December 31, 2016 and December 31, 2015 and changes during the periods then ended follows:

	Dec 31, 2016	Weighted Average Exercise Price	Dec 31, 2015	Weighted Average Exercise Price
Balance, beginning of the year	**6,925,000**	**0.27**	6,925,000	0.27
Warrants issued	**-**	**-**	-	-
Warrants exercised	**-**	**-**	-	-
Warrants expired	**-**	**-**	-	-
Balance, end of the year	**6,925,000**	**0.27**	6,925,000	0.27
Exercisable	**6,925,000**	**0.27**	6,925,000	0.27
Weighted remaining average life (years)	**1.52**		2.52	

Stock Options

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

The Group maintains a stock option plan for the benefit of officers, directors, key employees and consultants of the Group. At December 31, 2016 the Group was permitted to issue up to a maximum of 6,593,706 stock options, being 10% of the outstanding common shares. A summary of the Group's options as at December 31, 2016 and December 31, 2015 and changes to the years then ended are as follows:

	Dec 31, 2016	Weighted Average Exercise Price	Dec 31, 2015	Weighted Average Exercise Price
Balance, beginning of the year	**6,002,500**	**0.39**	5,440,000	0.380
Options issued	**2,008,750**	**0.40**	812,500	0.40
Options expired	**(1,413,750)**	**0.40**	0	0.00
Options forfeited	**(530,000)**	**0.37**	(100,000)	0.36
Options exercised	**-**	**0.00**	(150,000)	0.36
Balance, end of the year	**6,067,500**	**0.40**	6,002,500	0.392
Exercisable	**5,260,416**	**0.39**	5,460,833	0.392
Weighted remaining average life (years)	**3.07**		2.45	

	Options - Outstanding			Options - Exercisable	
Exercise Price ($)	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price ($)	Number Exercisable	Weighted Average Exercise Price ($)
0.32	25,000	4.13	0.32	18,750	0.32
0.36	2,308,750	1.94	0.36	2,308,750	0.36
0.40	2,921,250	3.88	0.40	2,391,250	0.40
0.44	250,000	3.07	0.44	166,666	0.44
0.50	562,500	3.40	0.50	375,000	0.50
	6,067,500	3.07	0.40	5,260,416	0.39

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

Year	Vesting Term	Assumed Volatility	Risk-free Rate	Market Price @ Grant	Fair Value	2016 SBC	2015 SBC
2015	3 Years	138%	0.56%	0.42	85	17	66
2015	3 Years	134.93%	0.76%	0.50	226	70	140
2016	2 Years	135.94%	0.53%	0.395	640	501	-
2016	3 Years	127.42%	0.61%	0.32	7	6	-
						594	206

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

Contributed surplus

Changes in contributed surplus consisted of the following:

	Dec 31, 2016	Dec 31, 2015
Balance, beginning of the year	***3,721***	*3,564*
Stock-based compensation expense (net of forfeitures)	**594**	206
Equity portion of convertible debentures redeemed	**98**	
Re-class of stock-based compensation expense for options exercised	**-**	(49)
Balance, end of the year	**4,413**	3,721

Retained earnings

	Dec 31, 2016	Dec 31, 2015
Opening retained earnings	**11,853**	10,483
Net income	**3,978**	1,370
Dividend distribution of shares of TGHL	**(8,329)**	-
	7,502	11,853

On June 28, 2016, the Group and Tornado Global Hydrovacs Limited ("TGHL"), entered into a plan of arrangement to Spin-out the Group's Hydrovac business (its Manufactured Products operating segment) for 32,417,056 common shares of TGHL and a note receivable of $2,895 bearing interest at 2.7% representing total consideration of $11,224. TGHL also closed private placements for share capital totalling $6,954.

The shares received by the Group were distributed to the shareholders by means of a dividend in connection with the spin-off of the Hydrovac business on June 28, 2016 with the existing shareholders of the Group receiving ½ shares of TGHL for each common share of Empire.

The Group accounted for the distribution in accordance with International Financial Reporting Interpretations Committee 17, Distribution of Non-Cash Assets to Owners, which requires the assets being distributed to be recognized at fair value. The Group used significant judgments related to the fair value measurement of assets and liabilities distributed pursuant to the Arrangement. The estimates required management to exercise judgment concerning valuation approaches and methods, estimates of future cash flows, and discount rates. The distribution was charged to retained earnings.

18. Cost of sales

	Dec 31, 2016	Dec 31, 2015
Direct construction costs	**(81,495)**	(94,960)
Indirect salaries and benefits	**(8,308)**	(8,049)
Indirect production costs	**(5,722)**	(5,254)
	(95,525)	(108,263)

Included in cost of sales is $974 (2015 - $1,621) expensed during the year for defined contribution plans.

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

19. Selling and administrative expenses

	Dec 31, 2016	Dec 31, 2015
Salaries and benefits	**(9,889)**	(7,941)
General, selling and administrative expenses	**(6,979)**	(6,713)
Research Expenditures	**-**	(169)
	(16,868)	(14,823)

Included in selling and administrative expenses is $140 (2015 - $119) expensed during the year for defined contribution pension plans.

20. Finance costs

	Dec 31, 2016	Dec 31, 2015
Interest on long-term borrowings	**(574)**	(338)
Interest on short-term borrowing and other	**(809)**	(678)
Accretion expense	**(18)**	(45)
Deferred financing charges	**(24)**	(23)
	(1,425)	(1,084)

21. Impairment, losses on disposal and other items

	Dec 31, 2016	Dec 31, 2015
Loss on disposal of property, plant and equipment	-	(49)
Loss on write-down of note receivable	-	(112)
Impairment of intangible assets	**(952)**	-
Miscellaneous income (loss)	**(49)**	(92)
	(1,001)	(253)

22. Income per share

Income per share for the year ended December 31:

	Dec 31, 2016	Dec 31, 2015
Net income from continuing operations attributable to shareholders	**1,414**	**1,849**
Effect of diluted securities on net income		
Net income from assumed debenture conversion	**-**	**122**
Diluted net income from continuing operations attributable to shareholders	**1,414**	**1,971**
Net income (loss) from discontinued operations	**2,564**	**(479)**
	3,978	**1,370**
Basic weighted average number of shares	**64,834,119**	**64,726,516**
Effect of diluted securities		
Net incremental dilutive shares	**1,102,941**	**2,989,439**
Diluted weighted average number of shares	**65,937,060**	**67,715,955**
Net earnings per share		
Basic and diluted - continuing operations	**0.02**	**0.03**
Basic and diluted - discontinued operations	**0.04**	**(0.01)**
Basic and diluted - all operations	**0.06**	**0.02**

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

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.

23. Income tax expense (recovery)

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

	Dec 31, 2016	Dec 31, 2015
Current tax expense	**130**	192
Total current tax expense (recovery)	**130**	192
Deferred tax expense relating to origination and reversal of temporary differences, unused tax losses, and unused tax credits	**1,279**	655
Total deferred tax expense (recovery)	**1,279**	655
Total income tax expense (recovery)	**1,409**	847

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

	Dec 31, 2016	Dec 31, 2015
Accounting profit	**5,604**	2,217
Combined federal and provincial statutory income tax rate	**27.00%**	27.00%
Income tax calculated using combined federal and provincial statutory income tax rate	**1,513**	599
Non-deductible expenses	**189**	88
Non-taxable portion of capital gains	**(683)**	0
Change in tax rates	**0**	(97)
Other	**390**	257
Income tax recovery	**1,409**	847

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

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

	Dec 31, 2014	Recognized in income tax expense	Recognized in other expenses	Dec 31, 2015	Recognized in income tax expense	Recognized in other expenses	Recognized in Intangible Assets	Dec 31, 2016
Deferred tax assets :								
Capital leases	79	42	-	121	(45)	-	-	76
Investment tax credits	1,308	-	1,461	2,769	-	1,835	971	5,575
Non-capital losses	5,899	(892)	-	5,007	687	-	-	5,694
Research and development expenses	329	829	-	1,158	708	-	-	1,866
Share issuance costs	67	(32)	-	35	(17)	-	-	18
Other	466	598	-	1,064	(1,220)	-	-	(156)
Total deferred tax assets	8,148	545	1,461	10,154	113	1,835	971	13,073
Deferred tax liabilities:								
Accounts receivable	(762)	(97)	-	(859)	407	-	-	(452)
Convertible debentures	(19)	14	-	(5)	5	-	-	-
Intangible assets	(383)	(699)	-	(1,082)	(876)	-	-	(1,958)
Investment in associate	(169)	(4)	-	(173)	68	-	-	(105)
Investment tax credits	(313)	(435)	-	(748)	(638)	-	-	(1,386)
Property, plant and equipment	(1,479)	21	-	(1,458)	(359)	-	-	(1,817)
Other	-	-	-	-	(217)	-	-	(217)
Total deferred tax liabilities	(3,125)	(1,200)	-	(4,325)	(1,610)	-	-	(5,935)
Net deferred tax assets	5,023	(655)	1,461	5,829	(1,497)	1,835	971	7,138

24. Operating segments

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

During 2016, the Group sold the assets and liabilities of Tornado Trucks which represented the Group's previously identified Manufactured Products segment. The Group has removed that operating segment for the current year and comparative period as the operating results from this segment are disclosed in discontinued operations (note 28)

The tables below show the segmented performance for the Group from its three operating segments, Media-based Attractions, Steel Fabrication Services and Corporate for the years ended December 31, 2016 and 2015 respectively:

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

2016	Media-based Attractions	Steel Fabrication Services	Corporate	Total
Sales	101,991	15,778	218	**117,987**
Cost of goods sold excluding depreciation and amortization	(80,733)	(14,792)	-	**(95,525)**
Gross Profit, excluding depreciation and amortization	21,258	986	218	**22,462**
Selling, general and administrative expenses	(10,664)	(3,101)	(3,103)	**(16,868)**
Result before depreciation, amortization, finance costs and other items	10,594	(2,115)	(2,885)	**5,594**

2015	Media-based Attractions	Steel Fabrication Services	Corporate	Total
Sales	102,961	28,147	117	**131,225**
Cost of goods sold excluding depreciation and amortization	(83,247)	(25,016)	-	**(108,263)**
Gross Profit, excluding depreciation and amortization	19,714	3,131	117	**22,962**
Selling, general and administrative expenses	(8,049)	(3,596)	(3,178)	**(14,823)**
Result before depreciation, amortization, finance costs and other items	11,665	(465)	(3,061)	**8,139**

The following table breaks down the sales by geographical region:

	Dec 31, 2016	Dec 31, 2015
Canada	**19,360**	28,546
United States	**19,110**	31,390
Asia	**44,989**	52,193
Middle East/Europe	**34,528**	19,096
	117,987	131,225

All the Group non-current assets are in Canada except for $2,312 (2015 - $786) of property, plant and equipment located in the United States.

25. 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 adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. 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.

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

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.

For the years ended	Dec 31, 2016	Dec 31, 2015
Current portion of long-term debt including finance leases	**7,473**	903
Long-term debt classified as current and finance leases	**12,134**	1,526
Funded debt	**19,607**	2,429
Shareholders' equity	**20,145**	23,660
Convertible debentures	**-**	951
Limited recourse loan	**955**	984
Less: deferred tax assets	**(7,138)**	(5,829)
Less: intangible assets (net)	**(7,762)**	(4,132)
Tangible net worth	**6,200**	15,634
Capitalization	**25,807**	18,063
Funded debt/Capitalization	**76.0%**	13.5%

26. Financial instruments and risk management

The following table presents information on the Group's assets and liabilities measured at fair value and discloses the fair value hierarchy of the valuation techniques used to determine this fair value at December 31, 2016:

	Carrying Value	Fair Value	Classification	Level
Cash and equivalents	102	102	FVTPL	1
Accounts receivable	40,933	40,933	Loans & Rec	1
Advances to associate	929	929	Loans & Rec	2
Note receivable	2,814	2,814	Loans & Rec	1
Derivative financial instruments	647	647	FVTPL	2
Bank indebtedness	(6,856)	(6,856)	FVTPL	1
Accounts payable and accrued liabilities	(23,886)	(23,886)	Other Fin Liab	1
Long-term debt including current portion	(19,352)	(19,352)	Other Fin Liab	1
Limited recourse loan	(955)	(955)	Other Fin Liab	2

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

As at December 31, 2015:

	Carrying Value	Fair Value	Classification	Level
Cash and equivalents	81	81	FVTPL	1
Accounts receivable	44,596	44,596	Loans & Rec	1
Advances to associate	885	885	Loans & Rec	1
Derivative financial instruments	(3,751)	(3,751)	FVTPL	2
Bank indebtedness	(6,391)	(6,391)	FVTPL	1
Accounts payable and accrued liabilities	(20,626)	(20,626)	Other Fin Liab	1
Convertible debentures	(951)	(951)	Other Fin Liab	2
Long-term debt	(2,123)	(2,123)	Other Fin Liab	1
Limited recourse loan	(984)	(984)	Other Fin Liab	2

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

Risk management

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

Liquidity risk

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

The following table summarizes the Group's financial liabilities with corresponding maturity dates as at December 31, 2016:

	Total	2017	2018	2019	2020	2021+
Accounts payable and accrued liabilities	23,886	23,886	-	-	-	-
Deferred revenue from construction contracts	7,269	7,269	-	-	-	-
Bank indebtedness	6,856	6,856	-	-	-	-
Long-term debt	19,766	7,535	6,720	4,640	612	259
Limited recourse loan	955	-	-	-	-	955
Total	**58,732**	**45,546**	**6,720**	**4,640**	**612**	**1,214**

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

Credit risk

Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their commitments to the Group. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Group has credit policies to address credit risk on accounts receivable from customers, which may include the analysis of the financial position of customers and review of credit limits. The Group also reviews new customer credit history before establishing credit and periodically reviews existing customer credit performance. The Group may require letters of credit or credit insurance. An allowance for doubtful accounts is established based upon factors surrounding credit risk of specific customers, historical trends and other information. At December 31, 2016, the Group had one individual customer accounting for approximately 29% of total accounts receivable (2015 – 25%) for which the Group has insured to effectively eliminate the credit risk.

Market risk

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

Currency risk

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

As at December 31, 2016, the Group had USD foreign currency forward contracts for $34,120 (2015 - $38,100) at forward rates ranging from $1.1150 to $1.4035 maturing through December 31, 2017. The accounts noted below include amounts denominated in U. S. currency that have been converted to the Canadian dollar equivalent on the balance sheet date at a rate of $1.3427 per U.S. dollar (2015 - $1.3840):

(In $000's USD)	Dec 31, 2016	Dec 31, 2015
Cash (bank indebtedness) (bank balance less outstanding cheques)	**5,879**	4,588
Accounts receivable (including unbilled construction receivables)	**26,279**	22,852
Accounts payable & accrued liabilities	**(7,072)**	(6,539)
Long-term debt	**(10,000)**	-
Derivative Financial Instruments	**(34,120)**	(38,100)
Net foreign currency exposure	**(19,034)**	(17,199)

For the year ended December 31, 2016, if the Canadian dollar had strengthened 10% percent against the US dollar with all other variables held constant, net income for the year would have been $1,903 higher (2015 - $1,720 higher). Conversely, if the Canadian dollar had weakened 10% percent against the US dollar with all other variables held constant, net income would have been $1,903 lower (2015 - $1,720 lower).

Included in revenue are gains on translation of foreign currency monetary assets and liabilities and gains on foreign currency transactions of $728 for the year ended December 31, 2016 (2015 – $1,522).

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

As at December 31, 2016, the Group has the following forward foreign currency contracts outstanding:

	Nominal Amount	Forward Rate	Fair Value
Forward contracts expiring January 30, 2017	540	1.1150	(122)
Forward contracts expiring January 31, 2017	7,500	1.4035	459
Forward contracts expiring February 1, 2017	7,500	1.3868	334
Forward contracts expiring February 27, 2017	540	1.1150	(122)
Forward contracts expiring March 29, 2017	540	1.1150	(123)
Forward contracts expiring April 28, 2017	2,500	1.3851	111
Forward contracts expiring April 28, 2017	5,000	1.3705	148
Forward contracts expiring December 29, 2017	10,000	1.3323	(38)
	34,120		**647**

The Group's mark to market asset of $647 relating for forward foreign currency contracts was a $4,398 reversal from the liability of $3,751 recorded as at December 31, 2015. During 2015 the Group's liability increased by $2,126 to $3,751 as at December 31, 2015. A fair value liability is created when the actual exchange rate as of the date of these consolidated financial statements is higher than actual or average rates of the forward contracts outstanding. The size of the liability is influenced by the size of the rate differential as well as the total amount of contract outstanding. Inversely, if the actual exchange rate is below the actual or average rates of the forward contracts outstanding a fair value asset will be created.

Interest rate risk

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

For the year ended December 31, 2016, if interest rates had been 50 basis points lower with all other variables held constant, after-tax net income for the period would have been $110 (2015 - $72) higher, arising mainly as a result of lower interest expenses on variable borrowings. If interest rates had been 50 basis points higher, with all other variables held constant, after-tax net income would have been $110 (2015 - $72) lower, arising mainly as a result of higher interest expenses on variable borrowings.

Commodity price risk

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

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

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

27. Related parties

The Group had sales to an Associate in the amount $60 (2015 - $259), which were management fees (2015 - $60) and purchases from an Associate of $3,656 (2015 - $4,184). Also, the Group had $66 of interest expense on convertible debentures paid or payable to related parties who were individual debenture holders (2015 - $84). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. Compensation awarded to key management included:

	Dec 31, 2016	Dec 31, 2015
Salary and short-term employee benefits	**2,168**	2,339
Post-employment benefits	**31**	74
Share-based payments	**398**	17
	2,597	2,430

28. Discontinued operations – Tornado Trucks

The Group completed the Spin-out of Tornado Trucks on June 28, 2016 under the terms of the plan of arrangement outlined in Note 2. As a result the Group has recorded the operations of Tornado Trucks as a discontinued operation in accordance with IFRS 5 for the periods presented in these financial statements. The operations of Tornado Trucks is the entire operations of the Group's previously disclosed Manufactured Products operating segment.

	Dec 31, 2016	Dec 31, 2015
Revenues	**9,146**	20,178
Cost of sales excluding depreciation and amortization	**(8,781)**	(17,941)
Adjusted gross profit	**365**	2,237
Selling, general and administrative expenses	**(1,085)**	(2,362)
Adjusted EBITDA	**(720)**	(125)
Depreciation and amortization	**-**	(327)
Adjusted EBIT	**(720)**	(452)
Finance costs	**(9)**	(27)
Gain on disposal costs (net of disposal costs)	**3,511**	-
Net loss from discontinued operations before taxes	**2,782**	(479)
Tax expense (current and deferred)	**(218)**	-
Net loss from discontinued operations (net of tax)	**2,564**	(479)

29. Subsequent events

After December 31, 2016, the Group made the decision to restructure its operations and consolidated it Steel Fabrication Services operating segment into its Media-Based Attractions operating segment. The assets of the Steel Fabrication Services segment can be well utilized within the Group's Media-Based Attractions operating segment which will allow the one main core operating segment to operate more efficiently.

On January 22, 2017, the Group incorporated a wholly-owned foreign enterprise called Zhejiang Dynamic Structures Engineering Technology Limited in the People's Republic of China. The purpose of this entity will be to expand and improve the Group's manufacturing capacity in China.

30. Guarantees and contingencies

Loan guarantees

The Group is contingently liable under one guarantee given to a third-party lender who has provided certain financing facilities to associated investments. As at December 31, 2016, the maximum amount of fixed guarantees provided to a third-party lender on behalf of an affiliated company is $309 (2015 - $481). No liability has been recorded in these consolidated financial statements related to these guarantees.

Letters of Credit

In the normal course of business, the Group contracted letters of credit for an amount of $6,273 USD as at December 31, 2016 (2015 - $6,066). The Group has a guarantee facility with Export Development Canada to guarantee letters of credit for performance security and advance payment guarantees issued by the Group on international construction contracts. The total value of letters of credit disclosed above are guaranteed by this facility. As at December 31, 2016, 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.

Operating lease commitments

The Group has the operating lease commitments as at December 31, 2016 in the amount of $8,755 for 2017 and subsequent years.

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.

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

31. Supplemental cashflow information

The follow table outlines the additional details that comprise cash flow from operating activities in the statement of cash flows:

	Dec 31, 2016	Dec 31, 2015
Amortization of deferred financing charges	23	23
Loss on sale of property, plant and equipment	-	49
Loss on disposal of note receivable	-	112
Loss on foreign exchange revaluation of limited recourse loan	29	159
Foreign currency adjusted (net of tax)	57	13
Non-cash interest income earned	(76)	(77)
Unrealized foreign currency translation gains recorded in revenues	(1,085)	(1,522)
Accretion of convertible debentures	19	45
Income taxes paid	(138)	(15)
	(1,169)	(1,213)

The following table outlines the details that comprises changes in non-cash working capital accounts in the statement of cash flows:

	Dec 31, 2016	Dec 31, 2015
Receivables	3,663	(5,860)
Inventories	143	629
Prepaid expenses	(155)	(352)
Accounts payable	3,260	2,041
Deferred revenue from construction contracts	(12,321)	9,898
Other	(1,187)	123
	(6,597)	6,479