



2019

Year-end Reports

Management's Discussion & Analysis

For the 3 and 12 month periods ending December 31, 2019

Consolidated Financial Statements

December 31, 2019

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 "Company") is supplemental to and should be read in conjunction with the audited consolidated financial statements for the fiscal year ended December 31, 2019.

The audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2019 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 Company'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 May 26, 2019. 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 sedar.com

Business Description

The Company's operations take place primarily through the following controlled affiliates:

Business Unit	Description
Dynamic Attractions – 100%	<p>Turn-key supplier of a proprietary line of premium entertainment attractions for theme parks and stand-alone tourist venues. Provides custom design-build-commission services for custom ride systems and attractions. The Company also provides parts and services to park operators for its own ride systems and those ride systems supplied by others.</p> <p>Leased production and office facilities in Port Coquitlam, BC. Leased Attractions Development Center in Orlando FL. Leased Parts and Service offices in Arlington TX.</p>
Dynamic Structures – 100%	<p>Primarily provides design engineering and product research and development services for complex ride systems for Dynamic Attractions. Also designs sophisticated custom, complex, high precision mechanisms and integrated structures, such as astronomical telescope enclosures for third party customers.</p> <p>Leased production facilities in Port Coquitlam, BC.</p>
Zhejiang Dynamic Structures Engineering Technology Limited 100%	Incorporated in January 2017, the purpose of this entity will be to expand and improve the Company's manufacturing capacity in China.
Dynamic Entertainment Group Ltd. – 100%	Incorporated in July 2017, the purpose of this entity will be to operate the Company's co-venture business in North America, and to hold its investments in the Company's co-venture business in China. Leased office facilities in Toronto ON, Orlando FL and Singapore

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

Selected Annual and Quarterly Financial Information

Annual Financial Information

For the years ended

	2019	2018	2017
Sales	110,130	135,395	131,763
Profit (loss) from continuing operations	(20,450)	(48,338)	(8,844)
Profit (loss) from discontinued operations	(6,708)	(2,125)	-
Profit (loss) from all operations	(27,158)	(50,463)	(8,844)
Profit (loss) per share, basic & diluted - continuing operations	(0.20)	(0.51)	(0.13)
Profit (loss) per share, basic & diluted - discontinued operations	(0.06)	(0.02)	-
Profit (loss) per share, basic & diluted - all operations	(0.26)	(0.53)	(0.13)
Total Assets	95,667	72,925	83,724
Total long-term financial liabilities	44,892	8,559	8,342
Cash dividends declared per common share	-	-	-

Quarterly Financial Information

For the years ended

	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Sales	14,666	26,977	39,157	29,330	18,888	51,754	32,073	32,680
Profit (loss) from continuing operations	(20,520)	(2,546)	2,276	345	(47,732)	624	(1,017)	(213)
Loss from discontinued operations	(4,802)	(882)	(582)	(442)	(718)	(458)	(195)	(754)
Profit (loss) per share (basic & diluted) - continuing operations	(0.20)	(0.02)	0.02	0.00	(0.51)	0.01	(0.01)	0.00
Loss per share (basic & diluted) - discontinued operations	(0.04)	(0.01)	(0.01)	0.00	0.00	(0.01)	0.00	(0.01)
Loss per share (basic & diluted) - all operations	(0.24)	(0.03)	0.01	0.00	(0.51)	0.00	(0.01)	(0.01)

Consolidated Non-GAAP Financial Results

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2019	2018	Variance	2019	2018	Variance
Operating Results:						
Revenues	110,130	135,395	(25,265)	14,666	18,888	(4,222)
Gross margin	14,125	8,818	5,307	(5,861)	(9,733)	3,872
Gross margin %	12.83%	6.51%	6.3%	(40.0%)	(51.5%)	11.6%
EBITDA	(5,272)	(10,909)	5,637	(11,310)	(14,552)	3,242
EBITDA %	(4.8%)	(8.1%)	3.3%	(77.1%)	(77.0%)	(0.1%)
EBIT	(12,432)	(16,765)	4,333	(13,506)	(16,330)	2,824
EBIT %	(11.3%)	(12.4%)	1.1%	(92.1%)	(86.5%)	(5.6%)
Net loss from continuing operations	(20,379)	(48,338)	27,959	(20,449)	(47,324)	26,875
Net loss from discontinued operations	(6,708)	(2,125)	(4,583)	(4,802)	(1,126)	(3,676)
Net loss	(27,087)	(50,463)	23,376	(25,251)	(48,450)	23,199
Loss per share continuing operations - basic & diluted	(0.20)	(0.51)	0.31	(0.20)	(0.50)	0.30
Loss per share discontinued operations - basic & diluted	(0.06)	(0.02)	(0.04)	(0.04)	(0.01)	(0.03)
Loss per share - basic & diluted	(0.26)	(0.53)	0.27	(0.24)	(0.14)	(0.10)

The terms, Gross Margin, EBITDA and EBIT as well as the corresponding percentages are defined in the Non-GAAP Financial Measures section at the end of this MD&A, including a reconciliation to each measure from the consolidated financial statements.

Outlook

The COVID-19 pandemic has had some significant adverse effects on the theme park industry itself, and it would be naïve to think that this will not impact its supply chain in general, and Empire in particular. Most of the theme parks in the world are currently closed to customers, and it is not clear how long that will remain the case. As such, every theme park is re-assessing its capital spending plans, both for timing and amounts. However, we are confident that this crisis will pass, and guests will return to the theme parks. In fact, recently several park operators announced plans to re-open in a limited capacity. We are well positioned to withstand the slowdown caused by the pandemic, and to emerge on the other side as one of the strongest theme attractions suppliers. Here are some of the reasons:

Strong Contract Backlog

The Company expects that financial results will improve in the coming quarters because revenue and margins will remain respectable as the Company works through its contract backlog (see section below “Backlog”). The Company is working diligently to replenish the backlog, but it is fortunate to have almost two years of work, based on current capacity.

Strong Base Business

We have a solid base business. Excluding first generation rides and discontinued operations, we have averaged over \$100 million in revenue with EBITDA of 14% over the past 5 years.

Non-GAAP Normalized Financial Results (CAD\$000)

		2015	2016	2017	2018	2019	TOTAL
As Reported	Revenue	127,181	107,132	131,763	135,395	110,130	611,601
(Adjusted for Retroactive application of IFRS 15 in 2015 and 2016)	Gross Margin	18,918	11,607	26,579	8,818	14,125	80,047
	SG&A	(14,823)	(16,868)	(20,164)	(19,727)	(19,397)	(90,979)
	EBITDA	4,095	(5,261)	6,415	(10,909)	(5,272)	(10,932)
	EBITDA %	3%	-5%	5%	-8%	-5%	-2%
Deduct							
First Generation Rides (Approaching completion)	Revenue	19,204	23,373	19,271	12,021	(2,802)	71,067
	Gross Margin	-	-	(4,017)	(32,049)	(11,365)	(47,431)
	Allocation of Indirect COS and SG&A	(4,551)	(6,969)	(7,092)	(8,438)	(4,052)	(31,103)
	EBITDA	(4,551)	(6,969)	(11,109)	(40,487)	(15,417)	(78,534)
	EBITDA %	-24%	-30%	-58%	-337%	550%	-111%
Steel Fabrication (discontinued)	Revenue	24,804	10,865	3,973			39,642
	Gross Margin	2,324	107	(1,428)			1,003
	SG&A	(3,011)	(2,528)	(964)			(6,503)
	EBITDA	(687)	(2,421)	(2,392)			(5,500)
	EBITDA %	-3%	-22%	-60%			-14%
Ongoing Businesses	Revenue	83,173	72,894	108,519	123,374	112,932	515,791
	Gross Margin	21,242	11,714	29,168	40,867	25,490	128,481
	SG&A	(7,261)	(7,371)	(12,108)	(11,289)	(15,345)	(53,373)
	EBITDA	9,333	4,129	19,916	29,578	10,145	73,102
	EBITDA %	11%	6%	18%	24%	9%	14%

1. Reported results have been adjusted to account for the retroactive application of IFRS 15 in 2015 and 2016, to correspond with the accounting standards for reporting that has occurred in 2017 and beyond. For 2015, reported Revenue, Gross Margin, and EBITDA have been reduced by (\$4,044). (2016 - \$10,855). Gross Margin and EBITDA and the corresponding percentages are Non-GAAP measures used by the Company. A definition of these non-GAAP measures is included in the non-GAAP measures section of this MD&A.

2. Indirect Costs of Sales and SG&A have been allocated between the Ongoing Businesses and the First Generation Rides on a percentage of cost-of-sales basis from the Company's Ride Systems Manufacturing Segment.

Industry leading product line

First generation products have been expensive, but they have allowed us to develop a world class, proprietary product portfolio with extremely high barriers to entry. With those developmental costs behind us, this product line will just add to our base business, in an increasingly profitable way.

Top Tier Customers

The landscape of the global amusement industry will be quite different after this pandemic. Empire is fortunate to have the capabilities and be considered a ride manufacturer of choice or a strategic partner by the two largest global theme park operators. We have been helping to solve the most challenging technical problems and providing iconic ride systems for their various theme parks around the world, as well as other top tier parks, for two decades.

Improved cost structure

The pandemic has also focused our attention on aligning our cost structure with the more cautious approach to capital spending of our customers. The Company has undertaken an organization-wide cost reduction initiative to reduce overhead, as well as identifying and implementing design, procurement and production efficiencies and facility cost reductions (mentioned above). These actions can improve the Company's execution capabilities and its key financial metrics. There has been \$13 million of costs removed from its operations, right-sizing its ride business organization from a high of 400 a few years ago, to 300 just before the pandemic to 179 on our ride payroll by the end of 2020. The effect of this initiative is to improve our productivity by driving our overhead (indirect and SG&A) to a targeted level approaching 25% of sales instead of

the historical level of over 30% of sales. This is made possible by developing and improving our internal systems, processes and procedures to achieve more with less. The organization is undergoing a fundamental shift in culture and operational methodologies from a boutique “job shop” to an integrated product based solutions provider incorporating volume manufacturing efficiencies, Advanced Production Quality Planning (APQP) disciplines and Enterprise Resource Planning (ERP) tools to achieve end customer driven deliverables.

Improved liquidity

We substantially improved our liquidity in 2019:

- closed a \$38.5 million debt financing with a wholly owned subsidiary of a Fortune 500 company in Q2 2019.
- raised \$7.55 million convertible preferred share issue in Q2 2019, all of which were converted into common shares in Q4, 2019.
- raised \$1.75 million of common share equity through a warrant exercise in Q4 2019
- raised \$9.75 million of common share equity late in Q4 2019
- sold \$3.0 million of Tornado Global Hydrovac common shares in Q4 2019

The Q2 2019 debt financing allowed us to reduce our trade payables by \$16.6 million, thereby improving our supply chain relationships. This will help us with cost efficient procurement in 2020 and beyond. The liquidity that was raised in Q4 2019 will be available for deployment throughout 2020 to keep our revenue-generating projects on-plan, even in the face of COVID-19 restrictions. We anticipate further financing actions in 2020, particularly as our \$38.5 million debt facility matures in Q4 2021. We are currently in productive negotiations to extend the facility.

Co-venture opportunities

The Company is bullish on its ability to penetrate the location-based entertainment market with its world class attractions. The Company’s co-venture strategy is perfectly suited to capitalize on a post-pandemic world where affordability and value will be the key success factors. Empire holds an option to acquire a 50% share of the flying theatre attraction currently being built at The Island in Pigeon Forge (Tennessee), the sixth most popular theme park in the US according to TripAdvisor. The attraction is scheduled to open in Spring 2021.

Summary

We are confident that full commercialization of our innovative first generation products, two years’ of contract backlog, a stronger balance sheet and the our ongoing progress in the co-venture market will position us to emerge into the post pandemic world as a leader in this industry.

Contract Backlog

Contract Backlog represents the dollar value of customer contracts where the associated work has not yet been completed by the Company and the associated revenue has not yet been recognized. As work is executed on the projects in the Contract Backlog, the Contract Backlog is depleted. As new projects come under contract, the Contract Backlog is replenished. The projects currently in the Contract Backlog are expected to be executed over the next 36 months. The Company’s Contract Backlog as of December 31, 2019 is \$217 million, down 14% from December 31, 2018.

Management uses Contract Backlog as a forward-looking financial indicator of future revenues for the Company. However, the amount and timing of such revenue is uncertain, as it depends on project schedules which may get delayed for reasons within or beyond the Company’s control. Also, it is possible that customer contracts may be delayed or cancelled, which will reduce the size of the Contract Backlog without generating revenue for the Company. As of now, 37% of the backlog (5 contracts) are on hold because of client caused delays. The Company is not anticipating working on these contracts in 2020 but is hopeful it can resolve the contractual issues so that work can resume sometime in 2021. The remainder of the backlog

is all being worked on in 2020, albeit at a reduced pace because the theme parks these rides are going into are all facing delays caused by the global pandemic. As forward-looking financial information, Contract Backlog is subject to material risks and uncertainties such as those described above.

In addition to its existing backlog, the Company continues its business development efforts to identify and establish future projects. Capacity is to remain tight in the industry, which helps us with negotiating pricing and commercial terms.

Significant Events

- Between May 6, 2019 and June 11, 2019, the Company completed five tranches of non-brokered private placement financing of 755,000 convertible preferred shares at an issue price of \$10.00 per share, with dividends accruing at 8% per annum. The shares were convertible into common shares at \$0.45 per share for thirty-six months, and at \$0.75 per share before sixty months from the date of issue. Overall, the offering yielded gross proceeds to the Company of \$7,550,000.
- On April 29, 2019, the Company successfully closed its previously announced debt financing of \$38.5 million, replacing its bank with a subsidiary of a Fortune 500 company as its new senior lender. The transaction results in approximately \$22.0 million of incremental new cash facilities for the Company. The new debt facility has an 18-month term and bears interest at prime plus 9.5%. As part of the financing arrangement, Export Development Canada agreed to extend its \$5.5 million term loan to correspond with the term of the new senior debt.
- On July 2, 2019, the Company announced the following developments in the previously announced Tennessee Flying Theatre co-venture:
 - A long-term operating agreement has been signed between Island Flyers LLC and High Express Holdings (US) Inc. for the development and operation of the co-venture flying theatre attraction in The Island at Pigeon Forge, in the Smoky Mountains of Tennessee. The operating agreement requires an equal investment from each of the co-venture partners totaling US\$4 million into the single purpose co-venture entity known as Smoky Mountain Flyers, LLC.
 - Smoky Mountain Flyers, LLC closed a US\$11 million debt financing with a Tennessee Bank which complete the financing required to bring the attraction to market.
 - Dynamic Entertainment Group Ltd. ("DEGL"), a 74% owned subsidiary of Empire, has entered into a pure option agreement (the "Option") with a term of 30 months to purchase all of the shares of High Express Holdings (US) Inc. which is one of the two co-venture partners that owns 50% of Smoky Mountain Flyers, LLC.
 - Smoky Mountain Flyers, LLC contracted Dynamic Attractions Ltd., a wholly owned subsidiary of the Company, to provide a 39 seat, patented flying theatre attraction.
 - The opening date of the Smoky Mountain Flying Theatre is scheduled for March 2021.
- In the third quarter, the Company decided to discontinue its last structural steel fabrication operation, Empire Iron Works in Edmonton, because the Company concluded that the outlook for providing structural steel fabrication services in Western Canada is permanently impaired and there is an excess of capacity and a significant reduction in demand for these types of services. This decision results in closing costs and operating losses as reported, but the Company expects that up to \$2 million of the working capital and fixed assets supporting this discontinued business will be collected and sold and then redeployed to support the ride manufacturing business.
- On October 17, 2019, the Company announced the results of its Annual Shareholders Meeting.
 - The Board is now composed of Guy Nelson, Terry Quinn, Robert Marshall and James Chui.
 - After the meeting, the Board of Directors appointed James Chui and Robert Marshall as new members of

- the Audit Committee, joining existing members Terry Quinn and Guy Nelson. Terry Quinn was appointed Audit Committee Chair.
- Shareholders authorized a name change of the Company from Empire Industries Ltd. to Dynamic Entertainment Inc. This is an enabling motion, not an immediate name change. The timing of when or whether an actual name change will take place is left to the discretion of the board of directors.
 - On October 30, 2019, Excellence Raise Overseas Ltd. exercised 2,000,000 warrants into common shares at an exercise price of \$0.50 per share, resulting in gross proceeds to the Company of \$1 million.
 - On November 14, 2019, the Company announced that it has entered into a Purchase and Sale Agreement to re-acquire 100% ownership of its subsidiary, Dynamic Entertainment Group Ltd.
 - Empire purchased the remaining 26.5% of DEGL's outstanding shares from Jolly Admire Limited (the "Vendor") for \$3,810,000 by the issuance of 381,000 convertible preferred shares in the capital of the Company (the "Preferred Shares"), which Preferred Shares will have a redemption value of \$10, accrue dividends at 8% per annum and are convertible into common shares of the Company at \$0.45 per common share for a period of 36 months from the date of issue and thereafter for \$0.75 per common share until 60 months from the date of issue.
 - The board of directors of Empire created a special committee of the Board to review the transaction. The special committee determined that the value of the DEGL shares being re-acquired exceed the value of the convertible preferred shares being issued as payment. The valuation included the assessment of many factors, including the value of DEGL's option to purchase 50% of the Smoky Mountain Flyers co-venture, and the ability to eliminate DEGL's exclusive right to buy Empire's patented flying theatre for co-venture locations and to buy Empire's flying theatre at Empire's loaded cost of production with no profit.
 - On November 25, 2019, the Company announced that:
 - James Chui has been appointed Non-Executive Chairman of the Company.
 - Excellence Raise Overseas Limited ("EROL"), agreed to advance Empire a \$2 million unsecured loan. EROL is a related party to Empire by virtue of its 19.9% common share ownership. The loan matures in three years and bears interest at the rate of 8% per annum, payable upon maturity. The loan is postponed to Empire's senior lenders, but at EROL's option, the principal amount may be used to exercise some or all of the 6,000,000 Empire warrants currently held by EROL. These warrants have an exercise price of \$0.50 per warrant until December 22, 2019, at which time the exercise price increases to \$0.75 until their expiration on June 22, 2021.
 - On December 9, 2019, the Company announced that it entered into agreements with 4 arms-length purchasers to sell an aggregate of 17,646,949 common shares in the capital of Tornado Global Hydrovacs Ltd. at a price of \$0.17 per Share for aggregate gross proceeds of \$2.99 million. The Company intends to use the net proceeds for general working capital purposes.
 - On December 19, 2019, EROL exercised 1,500,000 warrants into common shares at an exercise price of \$0.50 per share, resulting in gross proceeds to the Company of \$750,000. The funds for the warrant exercise came from the related party loan described above.
 - On December 30, 2019, the Company announced that between December 17 and December 27, 2019, it completed its previously announced non-brokered private placement (the "Private Placement")
 - Issued 23,780,487 common shares in the capital of the Company at an issue price of \$0.41 per share for gross proceeds to the Company of \$9.75 million. The Company intends to use the proceeds from the Private Placement for the retirement of the term portion of its senior secured credit facility and for general working capital purposes.

- The Insider created as a result of the Private Placement is High Express Holdings Limited with offices located at No. 191 Shaanxi Road, Shanghai, 200030 China (“High Express”). High Express acquired a total \$8.5 million Shares pursuant to the Private Placement. In the first tranche of the Private Placement, High Express acquired 7,317,073 common shares resulting in it holding 6.42% of Empire’s issued and outstanding voting shares. Upon closing the second tranche of the Private Placement, High Express’s percentage holdings increased to 15.9% of Empire’s outstanding voting shares. The Shares were acquired by High Express for investment purposes.
- On December 31, 2019, the Company announced that 100% of the holders of the issued and outstanding Preferred Shares (defined below) agreed to exchange all of their Preferred Shares for Class “A” Common Shares (“Common Shares”) of the Company, effective December 31, 2019.
 - The holders of the Preferred Shares exchanged the Preferred Shares (the “Capital Reorganization”) early for an aggregate of up to 32,906,161 Common Shares at a weighted exchange price of \$0.444 per Common Share comprised of 25,244,443 Common Shares at \$0.45 per Common Share and 7,661,718 Common Shares at \$0.425 per Common Share as a premium for the early exchange (the “Share Exchange Premium”). The Share Exchange Premium cash value of \$3,256,230 was equivalent to 3.583 years of forgone 8% cumulative dividends that would have accrued on the Preferred Shares if they were not exchanged early. All of the Common Shares issued are subject to a four month and one day hold period.
 - As a result of its participation in the Capital Reorganization, Jolly Admire Limited (“JAL”), located at No. 191 Shaanxi Road, Shanghai, 200030 China, acquired 10,384,560 Common Shares. JAL and High Express Holdings Limited (“HEHL”) are owned and controlled by Koizumi Tadashi. Prior to completion of the Capital Reorganization, HEHL held 20,731,707 Common Shares or 15.9% of Empire’s issued and outstanding voting shares. Upon completion of the Capital Reorganization, JAL and HEHL held an aggregate of 31,116,267 Common Shares representing a total of 19.05% of Empire’s outstanding voting shares. The Common Shares were acquired by JAL for investment purposes.

Subsequent Significant Events

- After December 31, 2019 the Company has received additional covenant waivers for the periods ending March 31, 2020 and June 30, 2020 and negotiated extensions on the maturity date on of Facility C, first to May 29, 2020 and additionally to July 15, 2020. On May 14, 2020, the Company repaid \$1,480 USD of the principal balance of Facility C prior to finalizing the extension of the balance of Facility C. The Company is in active discussions with its senior lenders to restructure and extend the maturity dates of its current credit facilities and expects to complete that process prior to the maturity dates of the current facilities. The waivers and extensions received subsequent to December 31, 2019 have been granted as part of that overall process.
- In March of 2020, the Company became impacted by the Covid 19 global pandemic not only in its operating facilities in Canada and the United States but also on projects sites in Asia and the Middle East. In response to this slowdown, the Company reduced staff, curtailed all discretionary spending and applied for and enrolled in government subsidy programs. The governments of Canada and the United States have introduced wage subsidy programs and loan guarantee initiatives and the Company has applied for applicable programs as appropriate. The cost savings generated by the layoffs, spending reductions and subsidies are intended to protect the Company's balance sheet and to allow the Company to quickly ramp-up production once the pandemic has passed.

2019 Results Review

Revenues

2019 Fiscal Year

Revenues from continuing operations in 2019 declined by \$25.3 million (18.7%) to \$110.1 million for the full year compared to \$135.4 million in 2018. The Company's Ride Systems Manufacturing segment was the core driver behind the overall decline in revenues which is to be expected given its overall size and significance to the Company. Revenues from Parts & Service and Corporation & Other segments experience improvements during the year when compared to 2018.

Revenues in 2019 were impacted by multiple factors including:

- Contracts in the Company's backlog at December 31, 2018 totaling \$81.7 million which were expected to move into full scale production in 2019 were delayed as a result of site delays relating to the development of the locations where the attractions associated with the contracts would be installed.
- Some of the contracts that the Company performs also have significant sub-contract components included in them. The presence of significant sub-contract components can have an effect on the overall revenues realized as well as the Gross Margin percentages depending on the timing of when the associated milestones on those contracts are achieved. 2018 was impacted by this more so than 2019 and is also a driver in the decrease in revenues year-over-year.
- The Company has accrued a provision for liquidated damages on one contract in the amount of \$2.5 million related to not achieving specific completion milestones within the contract. These penalties have not been formally imposed on the Company, but the Company decided to accrue for the potential given that the customer has the right to impose the penalties. Under IFRS 15, this accrual for the provision of penalties is recorded as a reduction of revenues.
- In 2019, although the Company did re-finance its credit facilities and generated liquidity to manage its working capital position, it still experienced working capital challenges throughout the year which impacted the Company's ability to maintain planned production levels on certain projects which also contributed to the lower overall revenues compared to 2018.

The revenues realized by the Company in the year, were largely from contracts that were under contract at the beginning the year so there was no revenue impact associated with selling prices of the underlying contracts.

4Q19 Revenues

Revenues in 4Q19 were \$4.1 million or 22% less than 4Q18. Consistent with the discussion on the annual reduction in revenues, the Company recorded a provision for penalties on one specific contract for \$2.5 million in 4Q19. The slowdown of volume as a result of strained working capital had a significant effect on 4Q19 as the liquidity raised from private placements and the sale of shares of TGHL were not done until December which did not allow for sufficient time remaining in the quarter to affect production volumes and revenues recognized.

Also, in line with the discussion on for the full year, the Company's Ride Systems Manufacturing segment was the driver behind the revenue reduction, having a decline in revenues of \$4.5 million when compared to the same period in 2018.

Gross Margins

2019 Fiscal Year

The Company's Gross Margin from continuing operations increased by \$5.3 million (60%) to \$14.1 million in 2019 from \$8.8 million for the 2018 fiscal year. The Company's Ride Systems Manufacturing segment has been challenged by certain First-Generation projects over the past 3-5 years that have had a negative impact on the Company's operating results during that

time period. In 2019, the dollar value impact of these First-Generation projects was \$14.2 million. (2018: \$20.0 million)

While the Company continued to experience challenges in 2019 from three of these projects, the impact was mitigated by the Company being able to execute the rest of its backlog in accordance with the schedules and estimates. In addition to that, in 2019 the Company successfully negotiated an increase in contract value of \$3.2 million for contract that was nearing completion but had been challenged by items that were outside the scope of the original contract. Until completing the negotiations with the customer, the Company was not carrying any contract assets as variable consideration so the full scope of that benefit was realized in 2019. As a result, the Company's Ride Systems Manufacturing segment realized an increase in Gross Margin of \$3.5 million improving to 9.7% from 4.8% in 2018.

The Company's Parts & Service segment realized an increase in Gross Margin of \$1.7 million when compared to 2018 which was a result of higher revenues and improved Gross Margin percentages of 8.1% to 37.3% from 29.2% in 2018. The Company's Corporate & Other segment realized a \$0.1 million improvement in Gross Margin on increased revenues and a 1.1% increase in the Gross Margin percentage to 17.8% from 16.7% in 2018.

4Q19 Gross Margin

Gross Margins improved by \$3.9 million in 4Q19 when compared to 4Q18 although revenues declined, increasing to a Gross Margin loss of \$5.8 million from a loss of \$9.7 million in 4Q18. The driver behind the variance was consistent with the discussion on the full year review as there more significant charges recorded in 4Q18. This resulted in the Company's Ride Systems Manufacturing segment realizing \$3.2 million increased Gross Margin in the three-month period ended December 31, 2019 than the same period in 2018.

The Company's Parts & Service Segment realized \$0.7 million increased Gross Margin in the three-month period ended December 31, 2019 than the same period in 2018. The Company's Corporate & Other segment was consistent with the same three-month period in 2018.

Selling, General and Administrative Expenses

2019 Fiscal Year

Selling, general and administrative expenses from continuing operations improved slightly in the 2019 fiscal year to \$19.4 million, reducing by \$0.3 million compared to the \$19.7 million in the 2018 fiscal year. The Company's selling, general and administrative expenses did not reduce relative to the reduction in revenues for the following reasons:

- For much of the first two quarters of 2019, revenues compared to 2018 were reasonably flat;
- In the 3rd quarter of 2019 revenues were showing a decline year-over-year compared to 2018 but that was driven largely by the 3rd quarter of 2018 having higher revenues due to certain projects achieving significant milestones on contracts with significant subcontract components which would have the same direct association with selling, general and administrative expenses; and
- Much of the volume slowdown, was experienced in the final quarter which would not leave sufficient time in the fiscal year, to realize the impact of cost reduction measures taken in response to the reduction in business.

The Company's Ride Systems Manufacturing segment, realized reduced selling, general and administrative expenses of \$0.9 million in 2019 compared to 2018. This positive variance was a function of both a reduction in overall costs as well as the impact of the adoption of IFRS 16 in 2019 when compared to the same time period in 2018.

The Company's Parts & Service segment realized and increase in selling, general and administrative expenses of \$0.2 million in 2019 compared to 2018 due primarily to an increase in over volume as compared to the prior period. The Company's Corporate & Other segment also realized an increase in selling, general and administrative expenses of \$0.3 million when compared to the prior period due mainly to increases in professional fees and other expenses which is expected to be an isolated event

4Q19 Selling, general and administrative expenses

Selling, general and administrative expenses in 4Q19 were \$0.6 million higher than 4Q18. The Company's Corporate & Other segment realized an increase of \$0.4 million in the quarter relating to certain professional fees and other expenses. The Company's Ride Systems Manufacturing segment also realized an increase in selling, general and administrative expenses of \$0.2 million when compared to 4Q18. Selling, general and administrative expenses from the Company's Parts & Service segment was consistent with the amounts reported in 4Q18.

EBITDA

2019 Fiscal Year

EBITDA Loss from continuing operations of \$5.3 million in 2019 improved by \$5.6 million (51%) compared to the loss of \$10.9 million in fiscal 2018. This year-over-year improvement in EBITDA was directly linked to the improved Gross Margins of \$5.3 million and reduced selling, general and administrative expenses of \$0.3 million. The Company's Ride Systems Manufacturing segment improved its EBITDA by \$4.3 million in 2019 and its Parts & Service segment improved its EBITDA for the year by \$1.5 million. The Company's Corporate & Other segment realized an increase in the EBITDA loss of \$0.2 million.

4Q19 EBITDA

EBITDA for 4Q19 improved by \$3.2 million to a loss of \$11.3 million from a loss of \$14.5 million in 4Q18 driven by increased Gross Margins offset by a moderate increase in selling, general and administrative expenses as outlined in the above sections. The Company's Ride Systems Manufacturing segment improved its EBITDA in the quarter by \$2.9 million compared to 4Q18. The Company's Parts & Service segment improved its EBITDA in the quarter by \$0.7 million and the Corporate & Other segment realized an increase in its EBITDA loss of \$0.4 million.

Depreciation and Amortization

2019 Fiscal Year

The Company adopted IFRS 16 Leases which required a change in the way that businesses are required to account for operating leases. Historically operating lease payments were expenses as incurred. Under IFRS 16 the present value of the lease payments is set up as both an asset and a liability and the resulting "Right-of-Use Asset" ("ROU Assets") are then amortized on a straight-line basis over the lease term. In adopting IFRS 16, the Company was not required to retro-actively apply this new standard so there is no comparative expenditure for 2018.

In 2019, the Company's depreciation and amortization costs increased by \$1.3 million for the full fiscal year compared to the 2018 fiscal year. The Company had amortization of ROU Assets of \$2.7 million for which there was no corresponding expense in 2018. Mitigating that increase, the Company had reduced amortization of intangible assets in 2019 of \$1.1 million resulting from the impairment charge of intangible assets that was taken in 2018 at the end of the year, after the assets subject to the impairment had been depreciated for the year. The balance of the offset of depreciation amortization expenses was reduction of depreciation of property, plant and equipment of \$0.3 million in 2019 compared to 2018.

4Q19 Depreciation and Amortization

Depreciation and amortization expenses in 4Q19 increased by \$0.4 million when compared to the same period in 2018 which was a direct result of the adoption of IFRS 16 – Leases in 2019 for which in 2018 there is no corresponding expense recorded.

Finance Costs

2019 Fiscal Year

Finance costs increased by \$9.5 million in 2019 to \$11.3 million from \$1.8 million in 2018 which was as a result of the following factors and events:

- A single charge for dividends on convertible preferred shares of \$3.3 million associated with the early conversion of the preferred shares on December 31, 2019;
- Charges of \$1.5 million relating to finance charges to negotiate and close the new credit facilities closed on April 29, 2019 which includes \$0.5 million relating to an exit fee to be paid to the lender at the maturity of the credit facilities.
- Charges for interest on Lease Liabilities of \$0.7 million which relates to the adoption of IFRS 16 – Leases which was not in effect in 2018 and not retro-active adoption was required.
- Charges for accretion expense on the convertible preferred shares issued from their issuance date up until the conversion date of \$0.2 million.
- An overall increase on interest on long-term borrowings due to both the increase in overall debt levels with the closing of the new credit facilities and the increase in the interest rates on the credit facilities from prime plus 1.5-2.5% to prime plus 9.5%.
- An overall increase in finance costs on short-term borrowings and other costs of \$1.6 million in 2019 resulting from and increase on the rate associated with the new revolving credit facility to prime plus 9.5% from prime plus 1.5% as well as the revolver was fully drawn on during the year as the Company's cash on hand could not be used to suppress the balance for interest purposes. Included in the increase in this category, the Company incurred finance costs in 2019 of \$0.5 million on extended vendor financing it leverage as part of managing its working capital situations.

4Q19 Finance Costs

Finance costs increased by \$5.8 million in 4Q19 over the comparative quarter 4Q18. In addition to an increase in both short and long-term borrowings as a result from increased overall debt levels and significant increase in the interest rate in 2019 compared to 2018, the single charge of \$3.3 million for dividends on convertible preferred shares and the accretion expense of \$0.2 million for the convertible preferred share liability, were recorded in 4Q19. In addition to that, interest on leased liabilities of \$0.3 million was recorded in the current quarter relating to the adoption of IFRS 16, which there was no corresponding charge for in 4Q18.

Share of profit (loss) from associate

2019 Fiscal Year

The Company recorded income from its associate investment in TGHL of \$0.2 million in 2019 compared to a loss of \$0.3 million from 2018. On December 9, 2019, the Company sold 17,646,949 million shares of TGHL reducing its ownership percentage from 23.9%, to 9.9% at which point the Company no longer accounts for TGHL as an associate investment. The Company receives updated financial information from TGHL on a quarterly basis. For the purposes of accounting for its associate interest, the Company concluded that the activity in TGHL from September 30, 2019 through to December 9, 2019 was not material.

4Q19

As noted above, the Company concluded that there was no material change in its associate investment balance from September 30, 2019 up to December 9, 2019 when sufficient shares of TGHL were sold to reduce the Company's ownership below the significant influence threshold so no charge was booked in 4Q19. In 4Q18, the Company recorded a loss from TGHL of \$0.2 million.

Stock-based compensation

2019 Fiscal Year

The Company recorded stock-based compensation expense in 2019 of \$0.2 million which is consistent but slightly less than the \$0.3 million in 2018.

4Q19

Stock-based compensation expense in 4Q19 was minimal and consistent with the 4Q18 with moderate charges relating to ongoing amortization of unvested options in the quarter.

Fair value changes in derivative financial instruments

2019 Fiscal Year

The Company recorded a gain of \$1.8 million in 2019 on changes to the fair value of its outstanding foreign currency forward contracts. In 2018, the Company recorded a loss of \$2.5 million. At December 31, 2019, the Company did not have any contracts outstanding relating to foreign currency forward contracts, compared to a liability of \$2.9 million relating to contracts outstanding as at December 31, 2018.

4Q19

The Company did not have any open foreign currency forward contracts to open the quarter and no contracts were entered into during the quarter so there was fair value movement during the quarter. In 2018 the Company did record a reduction in the fair value of foreign currency forward contracts outstanding in the amount of \$4.0 million.

Other Components of Income (loss)

2019 Fiscal Year

The Company recorded other components of income in 2019 of \$2.0 million driven by gains on the sale of shares of TGHL of \$1.6 million and the re-recognition of the previously recorded limited recourse loan of \$0.9 million offset by other loss components of \$0.5 million. In 2018, the Company recorded other components of loss of \$11.5 million driven by a \$9.8 million valuation allowance on investment tax credits, a restructuring charge of \$0.7 million, losses on disposal of property, plant and equipment of \$0.6 million and other items of \$0.4 million.

4Q19

The variance in the balance of other components of income (loss) are a result of the charges that were recorded in 4Q18 as opposed to the activity in 4Q19. The increase in other components of income (loss) in 4Q19 compared to 4Q18 for \$11.1 million is driven by the charge in 2018 for \$9.8 million. Also, included in other components of income (loss) for 4Q19 was the Company's gain of \$1.6 million on the sale of 17,646,949 shares of TGHL.

Income tax expense

2019 Fiscal Year

The Company's cash tax expense of \$0.1 million in 2019 was consistent with 2018. There was no deferred tax expense in 2019. In 2018, the Company recorded a valuation allowance of \$8.5 million of its deferred tax asset balance.

4Q19

The Company's cash tax expense in 4Q19 was \$0.1 million versus cash taxes of \$nil in 4Q18. In 4Q18, the Company recorded deferred tax expenses of \$8.5 million as a result of recording a valuation allowance of its deferred tax assets recorded.

Discontinued operations

2019 Fiscal Year

During 2019, the Company decided to cease operations of both its steel fabrication operations Empire Iron Works (a division of Dynamic Attractions Ltd.) "EIW" in Edmonton, Alberta as well as its telescope mirror-making and mirror-polishing activities, Dynamic Optics Inc. "DIO" in Port Coquitlam, British Columbia and undertake to sell the assets.

The Company recorded a loss from discontinued operations in 2019 of \$6.7 million compared to a loss of \$2.1 million in 2018. Included in the 2019 operating results are impairment charges of \$1.6 million to items of property, plant and equipment to adjust the assets to be sold to their estimated fair values. An additional \$1.3 million impairment charge was recorded to reduce the inventory values to the estimated recoverable amounts.

4Q19

The Company recorded a loss from discontinued operations of \$4.8 million in 4Q19 compared to a loss from discontinued operations of \$1.1 million 4Q18. The increase in the loss from discontinued operations in 4Q19 of \$3.7 million is largely a result of impairment charges of \$1.6 million and \$1.3 million for property, plant and equipment and inventory respectively.

Net income (loss)

2019 Fiscal Year

The Company's net loss of \$27.2 million in 2019 compared to net loss of \$50.5 million in 2018 which is a result of the improved EBITDA and other factors discussed above throughout the 2019 results review section compared to 2018, as well as the impact in 2018 on the impairment and valuation allowances recorded on intangible assets, investment tax credits and deferred tax assets.

4Q19

The company's net loss from all operations in 4Q19 improved by \$23.1 million (48%) to \$25.3 million from a net loss of all operations of \$48.4 million. The 2019 fiscal year and 4Q19 line item level review outlines individual drivers behind the changes in the net loss from the comparative period.

Liquidity and Capital Resources

Working Capital and Liquidity

For the year ended December 31, 2019, the Company's continuing operations used \$7.3 million of cash, compared with \$6.9 million of cash used in 2018 excluding the impact of changes in non-cash working capital amounts. The Company expects that its operations will generate sufficient cash on a go-forward basis to meet the Company's obligations.

During 2019, the Company negotiated new credit facilities with a new senior lender to replace the facilities that the Company had with CIBC at the same time, re-negotiating with EDC to extend the repayment and maturity date of the existing term loan. The Company negotiated 3 facilities with its new senior lender, Facility A, with total availability in the amount of \$11.1 million USD (subject to sufficient marginable assets) to replace the operating revolver the Company had with CIBC. Facility B, also in the amount of \$11.1 million USD and Facility C in the amount of \$6.5 million USD were advanced and replaced the

existing term loan with CIBC in the amount of \$1.5 million CAD. The CAD equivalent of both facilities when advanced were approximately \$23.5 million representing an increase liquidity of approximately \$22.0 million. Facilities A & B are scheduled to be repaid by October 29, 2020 while Facility C (discussed in greater depth below) was originally due on or before December 31, 2019 but with approval of the lender, the due date has been extended to on or before July 15, 2020.

Prior to renegotiating with EDC, the Company's entire outstanding loan balance of \$5.5 million was due in 2019. Simultaneous to closing the new facilities, EDC agreed to extend the term of the loan such that, no principal payments were required until October 16, 2020. This further alleviated the Company's cash flow situation by not having to repay this \$5.5 million in 2019. The principal repayment of this loan is now in quarterly installments of \$1 million USD starting on November 16, 2020 with the final installment due on August 16, 2021.

Much of the liquidity that was generated through the above transactions, was used to reduce both the overall balance and aging of the Company's trade accounts payable balance. Included in the Company's accounts payable and accrued liabilities balance at December 31, 2018 of \$51.7, were trade payables of \$35.4 million. Of the \$35.4 million of trade payables, \$18.9 or 53% of the balance was over 90 days. At December 31, 2019, the Company's accounts payable and accrued liabilities balance reduced by \$15.0 million to \$36.7 million. Trade payables specifically, reduced by \$16.6 million or 47% and the balance over 90 days decreased by \$10.8 million \$8.0 million representing less than 43% of all trade payables.

The Company also raised \$7.5 million through the issuance of convertible preferred shares, completed a private placement for gross proceeds of \$9.75 million and had outstanding share purchase warrants exercised for \$1.75 million. In addition to raising equity, the Company also sold 17,646,949 shares in TGHL for gross proceeds of \$3.0 million.

The Company has an \$11.1 million USD revolving credit facility with its senior lender which was fully drawn as of December 31, 2019. The Company's marginable assets at December 31, 2019 were \$40.5 million, which is \$26.1 million more than the Company's total draw on the operating line.

The Company made \$1.5 million of cash principal repayments during the year mainly paying out the CIBC term debt balance upon refinancing its credit facilities. Total funded debt of \$28.2 million as at December 31, 2019 consisted of \$14.6 million from Facility B, \$8.4 million from Facility C and \$5.2 million from EDC. In addition to funded debt, the Company also made \$2.2 million of principal payments on lease liabilities.

The Company was not in compliance with the senior debt to earnings before interest, taxes, depreciation and amortization "EBITDA", fixed charge coverage, total debt to total capitalization and accounts payable aging financial covenants contained in its credit facilities agreement as at December 31, 2019. For the year ended December 31, 2019 the Company's senior debt to EBITDA covenant was 2.5:1, its fixed charge coverage ratio covenant was 1.5:1, its debt to capitalization covenant ratio was 55% and the Company's aging of accounts payable should not have balances in excess of 60 days except in cases of disputes. Because the Company reported an EBITDA loss for the year and negative shareholder's equity balance at December 31, 2019 achieving compliance with these financial ratios was not possible. In anticipation of this, the Company secured a waiver of these covenants prior to December 31, 2019 and as a result, any funded debt subject to those covenants that was due in 2021 and beyond was classified as long-term. All existing credit facilities are subject to the same financial covenants.

As part of receiving the waiver for the covenant ratios noted above, the Company also received an extension on the repayment of the balance of Facility C to March 31, 2020. After December 31, 2019 but prior to March 31, 2019, the Company again, received a waiver for its upcoming covenant ratios as well as an additional extension on the repayment of Facility C to May 29, 2020. Finally, on May 26, 2020 the Company has negotiated another waiver for the financial covenant ratios as at June 30, 2020 as well as another extension on the repayment of Facility C to July 15, 2020. In conjunction with most recent extension, the Company did make a principal payment of \$1.5 million USD on Facility C.

The Company is in active discussions with its senior lenders to restructure and extend the maturity dates of its current credit facilities and expects to complete that process prior to the maturity dates of the current facilities. The waivers and extensions received prior to December 31, 2019 and for the reporting dates after that have been granted as part of that overall process.

Contract Assets

The Company's contract asset balance increased by \$3.0 million or just under 12% to \$28.7 million at December 31, 2019 compared to \$25.7 million at December 31, 2018. Contract assets are the aggregate amount of revenue recognized on specific customer contract in excess of the amounts billed to the customer as at the same date. Historically this was referred to as "Unbilled Accounts Receivable". A contract asset represents the consideration in exchange for goods or services that the Company has transferred to a customer, however, is conditional upon further performance obligations under the contract. The Company considers contract assets when managing its credit risk and obtains contract frustration insurance, where possible or receives letters of credit in circumstances where insurance is not an option. In certain circumstances, when the Company is contracting with a credit rated customer, it may elect not to secure either of those products.

Shareholders' Equity (Deficit)

Shareholders' deficit of \$33.7 million at December 31, 2019 is \$2.7 million larger than the shareholders' equity at December 31, 2018 due to the net loss for the year offset by increases in share capital through private placements. No dividends were declared or paid in the year.

The Company maintains a stock option plan for the benefit of officers, directors, key employees and consultants of the Company. The Company had 3,681,667 outstanding options at December 31, 2019. The average exercise price of the outstanding options was \$0.46 per share. Of these options, 2,956,668 were currently exercisable at an average exercise price of \$0.45 per share.

The Company has 7,611,110 warrants outstanding as of December 31, 2019, with an exercise price of \$0.75 per share. These warrants expire on June 22, 2021.

Related Party Transactions

The Company had sales to related parties and associates in the amount \$nil (2018 - \$nil which included management fees of \$60), and purchases from an Associate of \$nil (2018 - \$957). 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.

Market Capitalization

The market capitalization of the Company's 163,516,826 issued and outstanding common shares at May 22, 2020 was \$36.8 million or \$0.225 per share. The issued and outstanding common shares at May 26, 2020, together with securities convertible into common shares are summarized in the table below.

Fully Diluted Shares		
As at May 28, 2020		
Issued and outstanding common shares		163,516,826
Securities convertible into common shares		
Warrants	7,611,110	
Stock Options	6,144,167	
Total Securities convertible into common shares		13,755,277
Fully Diluted Shares		177,272,103

Segment Performance

The Company's operations consist of three separately identifiable segments, Ride Systems Manufacturing, Parts & Service and Corporate & Other. The performance of the Company's reportable segments is listed below the 3 and 12 month periods ended December 31, 2019 and 2018. Discussion of results of the reportable segments is included in the results review section above.

Ride Systems Manufacturing

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2019	2018	Variance	2019	2018	Variance
Operating Results:						
Revenues	99,507	127,912	(28,405)	14,688	19,200	(4,512)
Gross margin	9,664	6,203	3,461	(6,981)	(10,154)	3,173
Gross margin %	9.7%	4.8%	4.9%	(47.5%)	(52.9%)	5.4%
EBITDA	(3,497)	(7,831)	4,334	(10,585)	(13,478)	2,893
EBITDA %	(3.5%)	(6.1%)	2.6%	(72.1%)	(70.2%)	(1.9%)
EBIT	(10,241)	(13,511)	3,270	(12,626)	(15,175)	2,549
EBIT %	(10.3%)	(10.6%)	0.3%	(86.0%)	(79.0%)	(6.9%)

Parts & Service

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2019	2018	Variance	2019	2018	Variance
Operating Results:						
Revenues	10,260	7,138	3,122	2,248	1,739	509
Gross margin	3,824	2,083	1,741	1,050	329	721
Gross margin %	37.3%	29.2%	8.1%	46.7%	18.9%	27.8%
EBITDA	2,440	923	1,517	624	(131)	755
EBITDA %	23.8%	12.9%	10.9%	27.8%	(7.5%)	35.3%
EBIT	2,420	923	1,497	604	(131)	735
EBIT %	23.6%	12.9%	10.7%	26.9%	(7.5%)	34.4%

Corporate & Other

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2019	2018	Variance	2019	2018	Variance
Operating Results:						
Revenues	3,571	3,186	385	938	790	148
Gross margin	637	532	105	70	92	(22)
Gross margin %	17.8%	16.7%	1.1%	7.5%	11.6%	(4.2%)
EBITDA	(4,215)	(4,001)	(214)	(1,349)	(943)	(406)
EBITDA %	(118.0%)	9.6%	(127.6%)	(143.8%)	(119.4%)	(24.4%)
EBIT	(4,611)	(4,177)	(434)	(1,484)	(1,024)	(460)
EBIT %	(129.1%)	(131.1%)	2.0%	(158.2%)	(129.6%)	(28.6%)

Adoption of New Accounting Standards

Effective January 1, 2019, the Company adopted the following standards, interpretations and/or amendments thereto.

IFRS 16 Leases

The Company has adopted IFRS 16 in its financial statements effective January 1, 2019 using a modified retrospective approach which does not require restatement of prior period financial information. IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying assets are of low value. A lessee is required to recognize a ROU asset and a lease liability representing its obligation to make lease payments.

On adoption of the new lease standard, the Company elected to use the following practical expedients permitted under the standard:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- exclude leases that have less than 12 months left until their end date, or leases that are of low value;
- use hindsight in determining the lease term where the contract contains terms to extend or terminate the lease;
- exclude initial direct costs from the measurement of the ROU asset on transition on a lease-by-lease basis; and
- apply the new lease standards for all existing leases without going back and reassessing on a lease by lease basis whether the contract is or contains a lease based on the current standards.

The adoption of this standard resulted in the initial recognition of right-of-use assets (note 10) and offsetting lease liability (note 16) of \$9,809. The follow discount rate ranges were applied in deriving the present value of individual leases:

- facilities – discount rate range - 7-10%;
- office equipment – discount rate range - 5.2-8.3%;
- vehicles – discount rate range - 0.5-2.9%.

The following table provides a reconciliation of the operating lease commitments previously disclosed at December 31, 2018 and the ROU liabilities recognized on adoption of IFRS 16 at January 1, 2019:

	Jan 1, 2019
Operating lease commitments at December 31, 2018	5,830
Deduct: common area costs previously recorded in operating lease commitments	(1,297)
Deduct: recognition exemption for short-term leases	(36)
Deduct: recognition exemption for leases of low-value assets	(156)
Add: allocation of lease liabilities previously recognized as finance leases	329
Add/Deduct: extension and termination options, reasonably certain to be exercised	8,017
Deduct: discounting of lease obligations at January 1, 2019	(2,878)
Opening lease liabilities on adoption of IFRS 16 at January 1, 2019	9,809

The Company's statement of financial position at December 31, 2018 included a liability for restructuring costs in the amount of \$342 which was a provision for future operating lease commitments under IAS 17. In adopting IFRS 16, the Company

adjusted its opening retained earnings as at January 1, 2019 to reverse this accrued restructuring liability.

The Company reviewed the impact that the adoption of IFRS 16 has on deferred taxes and concluded that the impact would be immaterial.

IFRIC 23 Uncertainty Over Income Tax Treatments

The Company has adopted IFRIC Interpretation 23 Uncertainty over Income Tax Treatments effective January 1, 2019. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation did not have a material impact on the financial statements.

Standards Issued But Not Yet Effective

As of January 1, 2020, or later dates, the Company will be required to adopt certain standards and amendments issued by the IASB as described below, for which the Company is currently assessing the impact. Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for these consolidated financial statements. The Company reasonably expects the following standards to be applicable to its consolidated financial statements at a future date as listed below:

Amendments to IFRS 3: Business Combinations

Definition of a Business on October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations, that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The definition of a business is narrower which could result in fewer business combinations being recognized. The Company will adopt the amendments to IFRS 3 on a prospective basis on January 1, 2020.

Amendments to IAS 1: presentation of financial statements

On January 23, 2020, The International Accounting Standards Board (Board) issued narrow-scope amendments to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa. The effective date of this amendment is for periods beginning on or after January 1, 2022. Early application of the amendments is permitted. The Company is assessing the impact of this amendment.

Other Matters

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS necessitates the use of management estimates, assumptions and judgments 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 Company'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.

Cash generating units

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

Operating segments

The Company considers both the qualitative and quantitative aspects when identifying reportable operating segments, specifically whether a subset of the Company has a separate chief operating decision maker even if it meets one or more of the separate recognition quantitative thresholds.

Control and significant influence over less than 100% owned affiliates

The Company assumes that it exercises significant influence when its ownership percentage exceeds 20% but is less than 50% and exercises control when its ownership percentage exceeds 50% unless in either scenario, there are other factors that would change that presumption.

Functional currency

Management uses its judgement to determine the functional currency that most accurately represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

Performance obligation

The Company makes significant judgements on each contract relating to whether the contract represents a single performance obligation or multiple performance obligation as well as whether the Company can reliably estimate the costs of the performance obligations identified. Also, whether the obligations should be recognized over time or at a single point in time and in using costs incurred over total budgeted costs as representation for the measurement of performance progress.

Revenue recognition

The amount of revenue to be recognized is determined for a single performance obligation achieved over time of costs incurred over total budgeted costs for which the Company has implemented an internal financial budgeting and reporting system which relies on historical experience. The Company 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 highly 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 highly probable and the amount to be received can be measured reliably.

Allowance for doubtful accounts

The Company uses a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

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 Company 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 Company 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.

Warranty Provision

The Company provides warranty services for its media-based attractions and related service offerings that are sold to its clients. The Company assesses the amount of warranty provision required based on number of products under warranty and uses its judgement based on previous experience to determine the value of the warranty provision required.

At December 31, 2019 the Company has recorded a warranty provision of \$357 (2018 - \$359). Warranty obligations form a standard clause on all contracts and as such do not represent a separate performance obligation.

Intangible assets

Expenditures of research activities, undertaken with the prospect of gaining new technical knowledge and understanding, are recognized in profit or loss as incurred. 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 Company intends to and has sufficient resources to complete development and to use or sell the asset (note 12).

Impairment of non-financial assets

The Company's impairment test is based fair value less costs of disposal. The cash flows are derived from the forecast and do not include restructuring activities that the Company 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 & 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 Company 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.

Taxes

The Company 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 Company 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.

Risks and Uncertainties

Operating Results

The Company'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 Company's business development and marketing activities. In certain markets, the Company competes with local, regional, national and international companies for work. With the experience of the Company's operating subsidiaries, management believes it has developed systems, policies, and procedures to mitigate this risk.

Design Risk

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

Project Performance

Most of the Company's sales contracts are fixed-price contracts, often resulting from competitive bids. When bidding on a project, the Company 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 Company's business. Any inability of the Company's subsidiaries to execute customer projects in accordance with requirements, including adherence to completion timetables, may have a material adverse effect on the Company's business, operations and prospects.

The Company recognizes revenue using the IFRS 15 standard. The core principal of IFRS 15 is that an entity should recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to

which the entity expects to be entitled in exchange for those goods or services. This involves identifying the performance obligations in each contract, allocating the transaction price to the performance obligations in the contract and recognizing revenue when (or as) the entity satisfied a performance obligation. In the situation where there is an inability to reliably estimate progress on performance obligations, the revenue recognition is limited only to the extent that it offsets the costs incurred, resulting in any projected profit to be realized on the contract performance obligations being deferred until better information that can estimate a reasonable measure of performance is obtained. The Company has concluded that three “first generation” contracts should be accounted for in this manner.

Contract Backlog

Management uses Contract Backlog as a forward-looking financial indicator of future revenues for the Company. However, the amount and timing of such revenue is uncertain, as it depends on project schedules which may get delayed for reasons within or beyond the Company’s control. Also, it is possible that customer contracts may be delayed or cancelled, which will reduce the size of the Contract Backlog without generating revenue for the Company. As of now, 37% of the backlog (5 contracts) are on hold because of client caused delays. The Company is not anticipating working on these contracts in 2020 but is hopeful it can resolve the contractual issues so that work can resume sometime in 2021. The remainder of the backlog is all being worked on in 2020, albeit at a reduced pace because the theme parks these rides are going into are all facing delays caused by the global pandemic. As forward-looking financial information, Contract Backlog is subject to material risks and uncertainties such as those described above.

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 Company mitigates the risk of cost escalation in these components by means of long-term strategic alliances with suppliers, by procurement policies and procedures designed to ensure that there are multiple suppliers available and that specific components are contracted for on a fixed price basis. However, the cutting-edge nature of the work being undertaken by the Company 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 Company 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 Company mitigates its risk, to the extent possible, through contracted buying arrangements or limitations on the length of time that bids can remain outstanding prior to acceptance. In the circumstance of volatility in the commodity price of steel, unexpected increases in steel prices which are not hedged by escalation clauses or similar means, may negatively impact margins on a particular job and therefore the Company’s future results of operations or financial position.

Liquidity Requirements

The Company requires significant amounts of working capital in order to be able to operate. The Company’s contracts are primarily based upon firm prices and billing is generally performed on a milestone basis. Projects often involve changes or requests for extra work and although the Company 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 Company’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 Company’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 Company 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 Company’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 Company seeks equity or debt

financing, it will be able to obtain the required funding on favorable commercial terms, or at all. Any such future financing may also result in additional dilution to existing shareholders.

The Company 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 Company typically 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 and Trade Environment

Businesses and industries throughout the world are very tightly connected to each other. Thus, events seemingly unrelated to the Company may adversely affect the Company 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 Company's customer base. As a result, these customers may need to reduce their purchases of the Company's products or services, or the Company may experience greater difficulty in receiving payment for the products or services that these customers purchase from the Company. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Company's business, operating results, and financial condition.

In addition, the global nature of the Company's sales means the Company is exposed to the risk of potential changes to international trade agreements.

Credit Risk

Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their commitments to the Company. Notwithstanding the Company's current credit policies and practices, there can be no assurance that customers will remain able to fulfill their commitments to the Company which may have an adverse effect on the Company'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 Company 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 Company 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 Company. 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 Company 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 Company'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 Company must compete on price and quality of service. A significant portion of the Company'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 Company'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 Company's overall requirements.

Interest Rate Risk

Fluctuations in interest rates will affect that portion of the Company'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 Company'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 Company 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 Company 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 Company may seek to expand its business through acquisitions and may divest underperforming or non-core businesses. The Company's success depends, in part, upon management's ability to identify such acquisition and divestiture opportunities and to negotiate favorable contractual terms. The Company's ability to successfully integrate acquisitions into its operations could affect the Company's financial results.

The Company 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 Company is unable to continue to invest in technological advancements designed to enhance its competitive cost structure, it may have an adverse effect on the Company's operations.

Environment/Regulatory

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

The Company 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 Company also has operational and emergency response procedures, and safety and environmental programs in place to reduce potential loss exposure. The Company believes that it is in substantial compliance, in all material respects, with all current environmental legislation and is taking such steps as it believes are prudent to ensure that compliance will be maintained.

Forward Looking Information

This MD&A contains certain “forward-looking statements.” All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding financial and business prospects and financial outlook) are forward looking statements. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “scheduled”, “positions”, “estimates”, “intends”, “anticipates”, “beliefs” or variations of such words and phrases or state that certain actions, events or results “may”, “can”, “could”, “would”, “might” or “will”, “occur” or “be achieved”. Such statements include statements with respect to: (i) the expected replenishment of the contract backlog; (ii) the expected reduction to facility overhead costs; (iii) the intention to reduce overhead to the targeted level of 20% of sales; (iv) the expectation of the increase in the Company’s free cash flow in the future; (v) the estimated reduction to capital expenditures going forward; (vi) the expectation to sign a lease for and open the first co-venture by early 2021; (vii) the scheduled opening of two additional rides in 2019; (viii) the Company’s expectation of demand in the theme park industry; (ix) the Company’s expectation that manufacturing capacity will remain tight in the industry; (x) the Company’s plan to refinance 50% of its debt with a traditional senior lender at less expensive rates; and (xi) the Company’s belief that its market capitalization does not reflect its current intrinsic value. These forward-looking statements reflect the current expectations or beliefs of the Company, based on information currently available to the Company. Forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results of the Company 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 Company. 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 Company’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 Company 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 Company 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-GAAP Methods

In this MD&A, the Company uses three financial management metrics that are not in accordance with GAAP “Earnings (loss) before interest, tax, depreciation and amortization (EBITDA)”, “Earnings (loss) before interest and tax (EBIT)” and “Gross Margin”. Because these terms are not defined by IFRS they cannot be formally presented in the consolidated financial statements. The definition of EBITDA does not consider the Company’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. EBIT is the result of the Company’s EBITDA less depreciation and amortization expenses. The Gross Margin metric is the result of revenues less cost of sales, excluding depreciation and amortization expenses. It should be noted that the Company’s definition of EBITDA, EBIT and Gross Margin may differ from those definitions used by other companies.

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

Reconciliation of Profit (loss) to EBITDA

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2019	2018	Variance	2019	2018	Variance
Profit (loss) - before taxes	(20,318)	(39,692)	19,374	(20,419)	(38,441)	18,022
Add : Depreciation and amortization	7,160	5,856	1,304	2,196	1,778	418
Add/Deduct : (Gain) loss on disposal of assets and other (income) loss	(2,033)	17,790	(19,823)	665	17,323	(16,658)
Add : Finance costs	11,252	1,791	9,461	6,158	343	5,815
Add/Deduct : Deduct Share of loss of associate	(221)	330	(551)	-	161	(161)
Add/Deduct : Fair value of changes of foreign currency option contracts	(1,794)	2,481	(4,275)	-	4,013	(4,013)
Add/Deduct: Non-controlling interest	489	230	259	107	230	(123)
Add : non cash stock-based compensation	193	305	(112)	(17)	41	(58)
EBITDA	(5,272)	(10,909)	5,637	(11,310)	(14,552)	3,242

Calculation of EBIT

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2019	2018	Variance	2019	2018	Variance
EBITDA	(5,272)	(10,909)	5,637	(11,310)	(14,552)	3,242
Less : Depreciation and amortization	(7,160)	(5,856)	(1,304)	(2,196)	(1,778)	(418)
EBIT	(12,432)	(16,765)	4,333	(13,506)	(16,330)	2,824
% of revenue	(11.3%)	(12.4%)	1.1%	(92.1%)	(86.5%)	(5.6%)

Calculation of Gross Margin

Periods ended Dec 31	Twelve months ended			Quarter ended		
	2018	2017	Variance	2018	2017	Variance
Revenues	110,130	135,395	(25,265)	14,666	18,888	(4,222)
Cost of sales excluding depreciation and amortization	(96,005)	(126,577)	30,572	(20,527)	(28,531)	8,004
Gross margin	14,125	8,818	5,307	(5,861)	(9,643)	3,782
% of revenue	12.83%	6.51%	6.3%	(39.96%)	(51.05%)	11.1%



Consolidated Financial Statements

December 31, 2019

Audited

2019

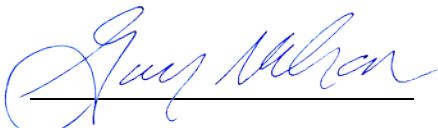
Management's Report

To the Shareholders of Empire Industries

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

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

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



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



Michael Martin, CA
Chief Financial Officer

May 29, 2020

Independent auditor's report

To the Shareholders of Empire Industries Ltd.

Opinion

We have audited the consolidated financial statements of Empire Industries Ltd. and its subsidiaries ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2019, and the consolidated statement of loss and comprehensive income (loss), consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which describes events and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 30, 2019.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis and the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Irwin.



Toronto, Canada
May 29, 2020

Chartered Professional Accountants
Licensed Public Accountants

For the For the years ended December 31

(In \$000's CAD, except where otherwise indicated)

		2019	2018
	Notes		
Revenues⁽¹⁾		110,130	135,395
Cost of sales	18	(96,005)	(126,577)
Depreciation and amortization	19	(7,160)	(5,856)
Operating income		6,965	2,962
Expenses			
Selling, general and administration expenses	20	(19,397)	(19,727)
Fair value changes in derivative financial instruments		1,794	(2,481)
Share of loss from associate	11	221	(330)
Stock-based compensation	17	(193)	(305)
Loss before the following		(10,610)	(19,881)
Finance costs	21	(11,252)	(1,791)
Impairment of intangible assets	12	-	(6,270)
Non-controlling interest	17	(489)	(230)
Other components of income (loss)	22	2,033	(11,520)
Loss before tax		(20,318)	(39,692)
Loss from discontinued operations, net of tax	30	(6,708)	(2,125)
Current tax expense	24	(132)	(101)
Deferred tax expense	24	71	(8,545)
Net loss		(27,087)	(50,463)
Exchange differences on translating foreign operations		236	(154)
Fair value changes in financial assets at FVOCI		1,445	-
Share of other comprehensive income (loss) of investments in associates		(42)	42
Other comprehensive income (loss)		1,639	(112)
Comprehensive loss		(25,448)	(50,575)
Loss per share continuing operations - basic & diluted	23	(0.20)	(0.51)
Loss per share discontinued operations - basic & diluted	23	(0.06)	(0.02)
Loss per share - basic & diluted	23	(0.26)	(0.53)

(1) Included in revenues are foreign exchange gains of \$1,221 for the year ended December 31, 2019 (2018 - \$2,362).

As at		Dec 31, 2019	Dec 31, 2018
(In \$000's CAD, except where otherwise indicated)			
ASSETS	Notes		
Current assets			
Cash and cash equivalents	5	12,848	137
Accounts receivable and contract assets	6	42,190	33,285
Inventory	8	2,944	6,085
Prepaid expenses and deposits		1,373	1,015
Total current assets		59,355	40,522
Non-current assets held for sale	30	1,895	-
Non-current assets			
Property, plant and equipment and investment property	9	7,816	14,102
Right of use assets	10	10,561	-
Contract assets - non-current	7	10,612	11,941
Investments and other non-current assets	11	2,532	2,360
Intangible assets	12	2,896	4,000
Total non-current assets		34,417	32,403
Total assets		95,667	72,925
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness and bank operating lines	13	14,444	8,684
Accounts payable, accrued liabilities and other contract liabilities	14	36,699	51,736
Contract liabilities	7	7,429	25,025
Current portion of funded debt	15	24,332	6,992
Current portion of lease liabilities	16	1,571	-
Derivative financial instruments		-	2,931
Total current liabilities		84,475	95,368
Non-current liabilities			
Long-term funded debt	15	3,896	1,209
Lease liabilities	16	9,623	-
Long-term contract liabilities	7	31,373	7,350
Total non-current liabilities		44,892	8,559
Total Liabilities		129,367	103,927
SHAREHOLDERS' EQUITY			
Share capital	17	51,004	24,981
Contributed surplus	17	2,562	4,398
Accumulated deficit	17	(88,824)	(62,568)
Non-controlling interest	17	-	2,270
Accumulated other comprehensive income (loss)		1,558	(83)
Total shareholders' equity		(33,700)	(31,002)
Total liabilities and shareholders' equity		95,667	72,925

Guarantees and contingencies [note 29]

Going concern basis of presentation and subsequent events [notes 2, 15 & 32]

See accompanying notes

On behalf of the Board of Directors:


Guy Nelson, Director


Terence Quinn, Director

As at December 31, 2019

	Share capital	Non-controlling interest	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
(In \$000's CAD, except where otherwise indicated)						
As at December 31, 2018	24,981	2,270	4,398	(62,568)	(83)	(31,002)
IFRS 16 transition adjustment	-	-	-	342	-	342
Adjusted balance @ January 1, 2019	24,981	2,270	4,398	(62,226)	(83)	(30,660)
Proceeds from issuance of common shares	9,750	-	-	-	-	9,750
Proceeds from the exercise of warrants	1,750	-	-	-	-	1,750
Proceeds from the issuance and conversion of preferred shares	9,370	(1,781)	-	-	-	7,589
Common shares issued as inducement of preferred share conversion	3,256	-	-	-	-	3,256
Equity value of convertible preferred issued	-	-	2,171	-	-	2,171
Equity value of convertible preferred shares converted	2,171	-	(2,171)	-	-	-
Acquisition of non-controlling interest	-	-	(2,029)	-	-	(2,029)
Transaction costs (net of tax)	(274)	-	-	-	-	(274)
Net loss for the year	-	(489)	-	(26,598)	-	(27,087)
Other comprehensive income	-	-	-	-	1,641	1,641
Stock-based compensation	-	-	193	-	-	193
As at December 31, 2019	51,004	-	2,562	(88,824)	1,558	(33,700)

As at December 31, 2018

	Share capital	Non-controlling interest	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
(In \$000's CAD, except where otherwise indicated)						
As at December 31, 2017	18,278	2,500	4,116	(12,335)	29	12,588
Proceeds from issuance of common shares	5,000	-	-	-	-	5,000
Proceeds from the exercise of warrants	1,714	-	-	-	-	1,714
Proceeds from exercise of options	48	-	(23)	-	-	25
Transaction costs (net of tax)	(59)	-	-	-	-	(59)
Non-controlling interest	-	-	-	-	-	-
Net loss for the year	-	(230)	-	(50,233)	-	(50,463)
Other comprehensive income	-	-	-	0	(112)	(112)
Stock-based compensation	-	-	305	-	-	305
As at December 31, 2018	24,981	2,270	4,398	(62,568)	(83)	(31,002)

See accompanying notes

(In \$'000's CAD, except where otherwise indicated)

	2019	2018
OPERATING ACTIVITIES		
Income (loss) after tax from continuing operations	(19,890)	(48,108)
Add (deduct) items not affecting cash :		
Depreciation and amortization (note 19)	7,160	5,856
Impairment of intangible assets	-	6,270
Finance costs on short-term borrowings (note 21)	2,812	1,234
Gain on sale of shares of TGHL (note 22)	(1,558)	-
Dividends paid through the issuance of shares (note 21)	3,256	-
Fair value changes in derivative financial instruments	(1,794)	2,481
Other items affecting cash flow (note 31)	(2,523)	561
Investment tax credits derecognized (recorded)	(470)	9,778
Deferred income taxes (recovery) expense	(71)	8,545
Cash used in continuing operations	(13,078)	(13,383)
Cash used in discontinued operations	(4,401)	(1,771)
Net change in non-cash working capital balances (note 31)	(13,072)	11,022
Cash from (used in) operating activities	(30,551)	(4,132)
INVESTING ACTIVITIES		
Investment in property, plant and equipment (note 9)	(1,248)	(695)
Investment in other long term assets	(150)	(31)
Proceeds from repayment of note receivable	248	-
Proceeds from sale of shares of TGHL	2,990	-
Proceeds from sale of items of property, plant and equipment	436	-
Investment in intangible assets (note 8)	(508)	(4,069)
Non-controlling interest (note 17)	(489)	(230)
Cash used in investing activities from continuing operations	1,279	(5,025)
Cash from (used in) investing activities from discontinued operations	26	(49)
Cash from (used in) investing activities	1,305	(5,074)
FINANCING ACTIVITIES		
Issue of common shares [net of transaction costs of \$203]	17,097	4,941
Proceeds received from warrants and stock options exercised	1,750	1,739
Proceeds received from funded debt and finance leases	23,913	389
Increase in bank indebtedness and bank operating lines	5,760	6,519
Repayment of funded debt	(1,479)	(5,237)
Proceeds used to settle derivative financial instruments	(1,137)	-
Repayment of lease liabilities (note 16)	(2,236)	-
Finance costs paid on long-term borrowings (note 21)	(2,801)	(559)
Cash flow from financing activities	40,867	7,792
Effect of translation of foreign currency cash and equivalents	1,090	1,468
Net increase in cash and equivalents during the year	12,711	54
Cash and cash equivalents, beginning of year	137	83
Cash and cash equivalents, end of year	12,848	137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Empire Industries Ltd. ("Empire" or "the Company") designs, builds and installs premium entertainment attractions and ride systems for the global entertainment industry. The Company also uses these same turn-key integration services for special projects such as large optical telescopes and enclosures and custom steel fabrication services. Key customer sectors include theme parks, stand-alone tourist venues and the government sector.

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 May 26, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements are prepared for the year ended December 31, 2019 and include the results for the comparative year ended December 31, 2018. 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. These consolidated financial statements have been presented in Canadian dollars which is the functional currency of the Company. Certain amounts have been reclassified to conform with current year presentation.

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").

GOING CONCERN BASIS OF PRESENTATION

These consolidated financial statements have been prepared by management on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company's recent financial results have been negatively impacted by certain "First-Generation" projects which are defined as projects that were first of a kind in nature, posing significant technical and financial risks to the Company to overcome these risks and deliver the projects successfully from a commercial standpoint. These projects have been a key driver behind the Company's deteriorating financial performance including negative cash flows and the Company not achieving compliance with the financial covenants of its credit facilities (note 15). Prior to December 31, 2019, the Company received waivers relating to its financial covenants and an extension on the maturity date of one its facilities. After December 31, 2019 the Company negotiated additional waivers and extensions to its credit facilities with its main senior lender (note 32).

The Company continues to pursue incremental equity, as required, to ensure that the necessary cash flows and capital structure are in place to continue to meet its obligations and achieve its business plan. However, there can be no assurance as to the outcome or success and as a result there exists a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Failure to maintain compliance with the covenants under the Company's new credit facilities could result in default, permitting its arm's length third party lender to demand all amounts outstanding under the lending agreement.

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These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities and the reported revenues and expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2019, the Company adopted the following standards, interpretations and/or amendments thereto.

IFRS 16 Leases

The Company has adopted IFRS 16 in its financial statements effective January 1, 2019 using a modified retrospective approach which does not require restatement of prior period financial information. IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying assets are of low value. A lessee is required to recognize a ROU asset and a lease liability representing its obligation to make lease payments.

On adoption of the new lease standard, the Company elected to use the following practical expedients permitted under the standard:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- exclude leases that have less than 12 months left until their end date, or leases that are of low value;
- use hindsight in determining the lease term where the contract contains terms to extend or terminate the lease;
- exclude initial direct costs from the measurement of the ROU asset on transition on a lease-by-lease basis; and
- apply the new lease standards for all existing leases without going back and reassessing on a lease by lease basis whether the contract is or contains a lease based on the current standards.

The adoption of this standard resulted in the initial recognition of right-of-use assets (note 10) and offsetting lease liability (note 16) of \$9,809. The follow discount rate ranges were applied in deriving the present value of individual leases:

- facilities – discount rate range - 7-10%;
- office equipment – discount rate range - 5.2-8.3%;
- vehicles – discount rate range - 0.5-2.9%.

The following table provides a reconciliation of the operating lease commitments previously disclosed at December 31, 2018 and the ROU liabilities recognized on adoption of IFRS 16 at January 1, 2019:

	Jan 1, 2019
Operating lease commitments at December 31, 2018	5,830
Deduct: common area costs previously recorded in operating lease commitments	(1,297)
Deduct: recognition exemption for short-term leases	(36)
Deduct: recognition exemption for leases of low-value assets	(156)
Add: allocation of lease liabilities previously recognized as finance leases	329
Add/Deduct: extension and termination options, reasonably certain to be exercised	8,017
Deduct: discounting of lease obligations at January 1, 2019	(2,878)
Opening lease liabilities on adoption of IFRS 16 at January 1, 2019	9,809

The Company's statement of financial position at December 31, 2018 included a liability for restructuring costs in the amount of \$342 which was a provision for future operating lease commitments under IAS 17. In adopting IFRS 16, the

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Company adjusted its opening retained earnings as at January 1, 2019 to reverse this accrued restructuring liability. The Company reviewed the impact that the adoption of IFRS 16 has on deferred taxes and concluded that the impact would be immaterial.

IFRIC 23 Uncertainty Over Income Tax Treatments

The Company has adopted IFRIC Interpretation 23 Uncertainty over Income Tax Treatments effective January 1, 2019. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation did not have a material impact on the financial statements.

BASIS OF CONSOLIDATION

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The determination of control is assessed either through share ownership and/or control of the subsidiaries board of directors, which may require significant judgement. 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.

The consolidated financial statements include the accounts of Empire Industries Ltd., its wholly owned and controlled subsidiaries as well as its associate and portfolio investments, all of which are outlined below:

	Jurisdiction/		Main Activity
	Functional Currency	Ownership (%)	
Dynamic Attractions Ltd.	CAN/CAD	100%	Media-based attraction integrator
Dynamic Attractions Inc.	US/USD	100%	Retail Sales
Dynamic Attractions HK Ltd.	HKD/CAD	100%	Holding Company
Dynamic Entertainment Group Ltd.	CAN/CAD	100%	Co-venture Company
Dynamic Optics Inc.	CAN/CAD	100%	Holding Company
Zhejiang Dynamic Engineering Technology, Ltd.	PRC/CNY	100%	Holding Company
Tornado Global Hydrovac Ltd.	CAN/CAD	10%	Hydrovac Sales and Manufacturing
Qiuguang Dynamic Structures Ltd.	PRC/CNY	45%	Interest in associate
1868480 Alberta Ltd.	CAN/CAD	100%	Holding Company

During 2019, the Company sold a portion of its interest in TGHL reducing its share of ownership to 10%. With the reduced ownership level, the Company now accounts for its investment in TGHL as a portfolio investment in accordance with IFRS 9.

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 Company 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

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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. Management considers primary and secondary indicators in determining functional currency including the currency that influences sales prices, labour, purchases and other costs. Other indicators include the currency in which funds from financing activities are generated and the currency for which receipts from operations are usually retained. For subsidiaries in the Company 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 the functional currency at the exchange rate in effect at the date of the transaction. Gains or losses resulting from the translations are recognized in net income (loss). Monetary items are translated into the reporting currency at the spot rate as of the reporting date. Exchange differences from monetary items are recognized in other comprehensive income. Nonmonetary items that are not carried at fair value are translated using the exchange rates as at the dates of the initial transaction. 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

Revenue from contracts with customers is recognized, for each performance obligation, either over a period of time or at a point in time, depending on which method reflects the transfer of control of the goods or services underlying the particular performance obligation to the customer.

In most cases, for performance obligations satisfied over time, the Company recognizes revenue over time using an input method, based on costs incurred to date relative to total estimated costs at completion, to measure progress toward satisfying such performance obligations. Under this method, costs that do not contribute to the performance of the Company in transferring control of goods or services to the customer are excluded from the measurement of progress toward satisfying the performance obligation. For certain contracts, notably certain cost-plus contracts or unit-rate contracts, the Company recognizes revenue based on its right to consideration when such amount corresponds directly with the value to the customer of the entity's performance completed to date. In certain other situations, the Company might recognize revenue at a point in time, when the criteria to recognize revenue over time are not met. In any event, when the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known to the extent that the contract costs are unavoidable in accordance with IAS 37.

The amount of revenue recognized by the Company is based on the transaction price allocated to each performance obligation. Such transaction price corresponds to the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price includes, among other things and when applicable, an estimate of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is usually derived from incentives, performance bonuses, and penalties, and could include claims and unpriced change orders. When a contract includes a significant financing component, the value of such component

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is excluded from the transaction price and is recognized separately as finance income or expense, as applicable.

The Company may enter into contractual arrangements with a client to deliver services on one project which span more than one performance obligation. When entering into such arrangements, the Company allocates the transaction price by reference to the stand-alone selling price of each performance obligation. Accordingly, when such arrangements exist on the same project, the value of each performance obligation is based on its stand-alone selling price and recognized according to the respective revenue recognition methods described above.

The Company accounts for a contract modification, which consists of a change in the scope or price (or both) of a contract, as a separate contract when the remaining goods or services to be delivered after the modification are distinct from those delivered prior to the modification and the price of the contract increases by an amount of consideration that reflects the Company's stand-alone selling price of the additional promised good or services. When the contract modification is not accounted for as a separate contract, the Company recognizes an adjustment to revenue on a cumulative catch-up basis at the date of contract modification.

The Company may apply its revenue recognition policy to a portfolio of contracts or performance obligations with similar characteristics if the effect on its financial statements of applying such policy to the portfolio is not reasonably expected to differ materially from applying its policy to the individual contracts or performance obligations within that portfolio. The Company presents its contract balances, on a contract-by-contract basis, in a net contract asset or liability position, separately from its trade receivables. Contract assets and trade receivables are both rights to consideration in exchange for goods or services that the Company has transferred to a customer, however the classification depends on whether such right is only conditional on the passage of time (trade receivables) or if it is also conditional on something else (contract assets), such as the satisfaction of further performance obligations under the contract. A contract liability is the cumulative amount received and contractually receivable by the Company that exceeds the right to consideration resulting from the Company's performance under a given contract.

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.

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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 loss and comprehensive income (loss) 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")	15 years
Vehicles	7 years
Office furniture and equipment ("Office Equip")	3 to 10 years
Leasehold improvements	Over the lease period

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

The Company recognizes a right-of-use ("ROU") asset and a ROU liability at the lease commencement date. The ROU asset is initially measured at cost which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is depreciated from the commencement date to the earlier of the end of the useful life of the ROU asset or to the end of the lease term. The estimated useful lives of ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The ROU liability, or lease liability, is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate. The ROU liability is remeasured when there is a change in future lease payments such as a change in the Company's estimate of the amount expected to be payable under a residual value

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guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has elected not to recognize ROU assets for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily takes a substantial period 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, both internally generated and externally acquired, 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 to 7 years
Internally generated patents	5 to 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 Company assesses whether there is any indication that the non-financial 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 Company 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 of disposal 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

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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.

REPORTABLE SEGMENTS

A reportable segment is a component of the Company 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 Company's other segments. All inter-segment transactions are accounted for at fair value. All operating segments' operating results are reviewed regularly by the Company'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 Company has three main reportable segments; Ride-Systems Manufacturing, Parts & Service and Corporate & Other segments. The operating segments are described below.

Operating Segment	Description
Ride Systems Manufacturing	Design and manufacture complex ride systems, telescopes and custom machinery and equipment. Turn-key supplier of premium entertainment attractions. Leased production facilities in Port Coquitlam, BC. Leased sales offices in Orlando FL and Toronto, ON.
Parts and Service	Provider of parts and maintenance services to existing ride systems customers and other amusement park and attraction venues. Leased sales offices in Arlington TX and Orlando FL.
Corporate & Other	Executive management, managerial and financial oversight, Co-Venture development, and compliance requirements for the overall organization as well as management services to the other operating segments and the Companies modest residual Steel Fabrication operations. Lease production and offices in Winnipeg, MB.

POST-RETIREMENT BENEFIT PLANS

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

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 Company 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.

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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 as either financial assets at fair value through profit or loss, fair value through other comprehensive income or amortized cost.

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.

Financial assets at fair value through other comprehensive income - ["FVOCI"] On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the consolidated statements of earnings. The election is available on an investment-by-investment basis. Investments in equity securities, where the Company cannot exert significant influence, are designated as financial assets at FVOCI.

Amortized cost - Financial assets recorded at amortized cost are done so using the effective interest rate method. Interest income is included in profit or loss over the expected life of the financial asset.

Impairment of Financial Assets

A loss allowance for expected credit losses is recognized in the consolidated statement of net income (loss) for financial assets measured at amortized costs. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized costs. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investments in equity instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible defaults over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Derecognition of financial assets

The Company derecognizes 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 Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities and equity instruments issued by the Company 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 amortized cost. Financial liabilities are classified

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

Amortized cost

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 recognized 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 recognized over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company'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 Company 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.

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 Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, comprising foreign exchange forward contracts and options. Derivatives are initially recognized 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 Company's derivatives are not designated or do not qualify for hedge accounting, any subsequent change in fair value is recognized in income.

RESTRUCTURING COSTS

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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

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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 Company may receive remuneration in the form of stock options. Awards granted under the Company's stock option plan are recognized in net 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Critical judgements made in applying the Company's accounting policies

CASH GENERATING UNITS

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

OPERATING SEGMENTS

The Company considers both the qualitative and quantitative aspects when identifying reportable operating segments, specifically whether a subset of the Company has a separate chief operating decision maker even if it meets one or more of the separate recognition quantitative thresholds.

CONTROL AND SIGNIFICANT INFLUENCE OVER LESS THAN 100% OWNED AFFILIATES

The Company assumes that it exercises significant influence when its ownership percentage exceeds 20% but is less than 50% and exercises control when its ownership percentage exceeds 50% unless in either scenario, there are other factors that would change that presumption.

FUNCTIONAL CURRENCY

Management uses its judgement to determine the functional currency that most accurately represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

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PERFORMANCE OBLIGATION

The Company makes significant judgements on each contract relating to whether the contract represents a single performance obligation or multiple performance obligation as well as whether the Company can reliably estimate the costs of the performance obligations identified. Also, whether the obligations should be recognized over time or at a single point in time and in using costs incurred over total budgeted costs as representation for the measurement of performance progress.

Key sources of estimation uncertainty

REVENUE RECOGNITION

The amount of revenue to be recognized is determined for a single performance obligation achieved over time of costs incurred over total budgeted costs for which the Company has implemented an internal financial budgeting and reporting system which relies on historical experience. The Company 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 highly 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 highly probable and the amount to be received can be measured reliably.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company uses a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

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 Company 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 Company 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.

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WARRANTY PROVISION

The Company provides warranty services for its media-based attractions and related service offerings that are sold to its clients. The Company assesses the amount of warranty provision required based on number of products under warranty and uses its judgement based on previous experience to determine the value of the warranty provision required.

At December 31, 2019 the Company has recorded a warranty provision of \$357 (2018 - \$359). Warranty obligations form a standard clause on all contracts and as such do not represent a separate performance obligation.

INTANGIBLE ASSETS

Expenditures of research activities, undertaken with the prospect of gaining new technical knowledge and understanding, are recognized in profit or loss as incurred. 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 Company intends to and has sufficient resources to complete development and to use or sell the asset (note 12).

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company's impairment test is based fair value less costs of disposal. The cash flows are derived from the forecast and do not include restructuring activities that the Company 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 & 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 Company 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.

TAXES

The Company 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 Company 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.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

As of January 1, 2020, or later dates, the Company will be required to adopt certain standards and amendments issued by the IASB as described below, for which the Company is currently assessing the impact. Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for these consolidated financial statements. The Company reasonably expects the following standards to be applicable to its consolidated financial statements at a future date as listed below:

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AMENDMENTS TO IFRS 3: BUSINESS COMBINATIONS

Definition of a Business on October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations, that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The definition of a business is narrower which could result in fewer business combinations being recognized. The Company will adopt the amendments to IFRS 3 on a prospective basis on January 1, 2020.

AMENDMENTS TO IAS 1: PRESENTATION OF FINANCIAL STATEMENTS

On January 23, 2020, The International Accounting Standards Board (Board) issued narrow-scope amendments to IAS 1 *Presentation of Financial Statements* to clarify how to classify debt and other liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa. The effective date of this amendment is for periods beginning on or after January 1, 2022. Early application of the amendments is permitted. The Company is assessing the impact of this amendment.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit in the Company's bank accounts in Canada, the United States and the People's Republic of China (PRC). As at December 31, 2019, the Company had cash on hand of \$12,848 (2018 - \$137), with \$12,155 on hand in Canada (2018 - \$nil), \$238 on hand in the United States (2018 - \$137) and \$455 on hand in the PRC (2018 - \$nil). Until the Company refinanced its credit facilities in 2019 any cash on hand in Canada was offset against the balance on its revolving line of credit and thus recorded as part of bank indebtedness.

6. ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

	Dec 31, 2019	Dec 31, 2018
Trade	4,883	5,837
Contract assets (note 7)	28,668	25,650
Other receivables	968	898
Current portion of note receivable (note 11)	-	400
Contract assets - current holdbacks	7,671	500
	<u>42,190</u>	<u>33,285</u>

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

	Dec 31, 2019	Dec 31, 2018
< 30 days	3,041	599
> 30 days	469	2,712
> 60 days	593	550
> 90 days	780	1,976
	<u>4,882</u>	<u>5,837</u>

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7. CONSTRUCTION CONTRACTS

	Dec 31, 2019	Dec 31, 2018
Construction costs incurred and estimated profits, less recognized losses to date	345,256	289,308
<i>Less: Progress billings</i>	(355,390)	(296,033)
	(10,134)	(6,725)
Items recognized and included in the consolidated financial statements as:		
Contract assets - unbilled revenue (note 6)	28,668	25,650
Contract liabilities - deferred revenue - current portion	(7,429)	(25,025)
Contract liabilities - deferred revenue - long-term portion	(31,373)	(7,350)
	(10,134)	(6,725)
Contract assets - current holdbacks (note 6)	7,671	500
Contract assets - non-current holdbacks	10,612	11,941
	18,283	12,441
Other contract related liabilities consist of:		
Customer rebate credits	(2,000)	(6,559)
Project loss accruals	(9,162)	(5,066)
	(11,162)	(11,625)

The Company has allocated \$217,195 of the transaction price from its contracts with customers to performance obligations that are either not yet satisfied or are only partially satisfied as of December 31, 2019. Based on the current contractual requirements, the Company expects to recognize the associated revenues from these performance obligations over the next 3 years.

Contract assets include unbilled revenue and holdbacks. Unbilled revenues represent amounts earned by the Company for which receipt of the expected cash flows is dependent on future progress on the underlying performance obligation. Holdbacks represent amounts that are owing to the Company but are not due to be received until the associated projects are completed in accordance with the underlying contracts. The classification between current and long-term is based on whether the Company expects to receive the contract asset amount in the next 12 months.

Contract liabilities include deferred revenue and customer rebate credits. Deferred revenues, both current and long-term represent amounts paid to the Company by customers in excess of the revenues earned by the Company as at December 31, 2019. Customer rebate credits represent an amount of future credits that the Company is obligated to grant to a customer in association with a long-term strategic partnership agreement. The classification between current and long-term is determined by whether the Company expects to earn the associated revenue or grant the associated credits in the next 12 months. The contract liability for customer rebate credits is disclosed in Accounts payable and accrued liabilities on the balance sheet (note 14).

Project loss accruals represent the total remaining losses expected on projects that are in a loss position as of the December 31, 2019. These contract liability amounts are also disclosed in Accounts payable and accrued liabilities on the balance sheet (note 14).

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8. INVENTORIES

Inventories are comprised of the following:

	Dec 31, 2019	Dec 31, 2018
Raw Materials	1,308	2,926
Work-in-progress	1,636	3,159
	2,944	6,085

During the year, the Company recorded inventory write-downs of \$1,302 (2018 - \$28) all of which were associated with winding up and designating for sales its traditional steel fabrication assets and its Dynamic Optics operations (note 30). The value of inventories recognized as an expense within cost of goods sold is \$1,993 (2018 - \$154).

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9. PROPERTY, PLANT, AND EQUIPMENT AND INVESTMENT PROPERTY

	Land	Building	M&E	Office Equip.	Lease-holds	Vehicles	Parking Lots	Total
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance, December 31, 2017	850	4,503	16,698	5,695	4,203	276	48	32,273
Additions	-	-	171	473	100	-	-	744
Transfers	-	-	-	123	-	-	-	123
Foreign exchange adjustments	-	-	261	45	227	4	-	537
Impairment	-	-	(709)	-	-	-	-	(709)
Disposals	-	-	-	-	-	(3)	-	(3)
Balance, December 31, 2018	850	4,503	16,421	6,336	4,530	277	48	32,965
DEPRECIATION								
Balance, December 31, 2017	-	1,426	8,349	3,803	1,602	208	36	15,424
Depreciation charge for the year	-	234	1,774	705	752	20	3	3,488
Foreign exchange adjustments	-	-	24	11	60	1	-	96
Impairment	-	-	(142)	-	-	-	-	(142)
Disposals	-	-	-	-	-	(3)	-	(3)
Balance, December 31, 2018	-	1,660	10,005	4,519	2,414	226	39	18,863
Net book value, December 31, 2018	850	2,843	6,416	1,817	2,116	51	9	14,102
COST								
Balance, December 31, 2018	850	4,503	16,421	6,336	4,530	277	48	32,965
Additions	-	14	294	118	798	24	-	1,248
Transfers to held for sale	(520)	(3,113)	(4,126)	(930)	(85)	-	(48)	(8,822)
Transfers to right-of-use assets	-	-	-	(389)	-	-	-	(389)
Foreign exchange adjustments	-	-	(157)	(37)	(143)	-	-	(337)
Disposals	(140)	(389)	(931)	-	-	0	-	(1,460)
Balance, December 31, 2019	190	1,015	11,501	5,098	5,100	301	-	23,205
DEPRECIATION								
Balance, December 31, 2018	-	1,660	10,005	4,519	2,414	226	39	18,863
Depreciation charge for the year	-	224	1,589	580	745	18	3	3,159
Transfers to held for sale	-	(1,091)	(2,929)	(926)	(85)	-	(42)	(5,073)
Transfers to right-of-use assets	-	-	-	(60)	-	-	-	(60)
Foreign exchange adjustments	-	-	(32)	(15)	(56)	-	-	(103)
Disposals	-	(221)	(1,176)	-	-	-	-	(1,397)
Balance, December 31, 2019	-	572	7,457	4,098	3,018	244	-	15,389
Net book value, December 31, 2019	190	443	4,044	1,000	2,082	57	-	7,816

During the year, the Company recorded revenue of \$61 from the investment property (2018 - \$61) with recoverable direct operating expenses of \$30 (2018 - \$30). Included in depreciation expense for the year is depreciation of \$20 relating to the investment property (2018 - \$20). The Company estimates that the net book value of investment property consisting of land of \$190 (2017 - \$190) and the net book value of the building of \$334 (2018 - \$354) which the Company estimates approximates the fair value based on independent appraisals performed prior to the commencement of the lease arrangement.

Fully amortized items of property, plant and equipment with a historical cost of \$nil (2018 - \$72) are still in use by the Company.

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10. RIGHT-OF-USE ASSETS

The Company's leased assets include real estate, office equipment and vehicles. Right-of-use assets include:

Right-of-use assets continuity schedule	Real Estate	Office Equip	Vehicles	Total
Opening balance - January 1, 2019	9,432	329	48	9,809
Additions	3,990	-	42	4,032
Disposals	(317)	-	(7)	(324)
Foreign exchange adjustments	(87)	-	-	(87)
Depreciation charge for the year	(2,723)	(108)	(38)	(2,869)
Ending balance - December 31, 2019	10,295	221	45	10,561

Of the depreciation charge for the year of \$2,869, \$132 of that was recorded in discontinued operations (note 30). Amounts related to leased assets recognized in comprehensive include:

11. INVESTMENTS AND OTHER NON-CURRENT ASSETS

The table below itemizes the details of what is included in the Company's Investment and Other Non-Current Asset balance in the Company's statement of financial position:

	Dec 31, 2019	Dec 31, 2018
Investment in TGHL	2,382	2,078
Note receivable (less current portion)	-	248
Long-term assets	150	34
	2,532	2,360

INVESTMENT IN TGHL

TGHL Investment Account Continuity	Dec 31, 2019	Dec 31, 2018
Beginning balance	2,078	2,366
Current year equity income (loss)	221	(330)
Current year other comprehensive income (loss)	(42)	42
Disposal of common shares of TGHL	(1,320)	-
Market value increase in common shares of TGHL	1,445	-
	2,382	2,078

The Company owned 30,185,544 common shares of Tornado Global Hydrovacs Ltd. ("TGHL") representing 23.8% of the outstanding common shares of TGHL. On December 6, 2019, the Company sold 17,646,949 common shares for gross proceeds of \$2,990 and a gain on the sale of \$1,558. As a result of the sale, the Company's ownership percentage of TGHL decreased to 9.9%. In conjunction with reduction in ownership percentage the Company now accounts for the investment as a portfolio investment. Up until December 6, 2019, the Company accounted for its investment in TGHL as an equity method investment. A continuity schedule of the Company's investment balance of TGHL is summarized in the table below:

TGHL is incorporated in Alberta, Canada and through its subsidiaries, designs, fabricates, manufactures and sells hydrovac trucks to excavation service providers in the oil and gas and municipal markets in North America and is in the

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process of expanding into China. TGHL's corporate office is located at Suite 510, 7105 McLeod Trail, SW, Calgary, Alberta, T2H 2K6.

The tables below disclose the assets and liabilities as at December 31, 2018, and income and expenses of TGHL for the periods the Company had significant influence then ended:

TGHL Statement of Financial Position	Dec 31, 2018
Current assets	14,696
Non-current assets	10,397
Current liabilities	(7,177)
Non-current liabilities	(963)
Equity	16,953

TGHL Revenue and Profit (Loss)	Dec 31, 2019	Dec 31, 2018
Revenue	46,892	38,850
Profit	883	(1,323)

NOTE RECEIVABLE

	Dec 31, 2019	Dec 31, 2018
Beginning balance	248	648
Reclass current portion of note receivable	-	(400)
Accelerated repayment	(248)	-
	-	248

In 2017, the Company sold its 49% interest in ACE to the majority shareholder for total consideration of \$1,848 representing the value of investment of \$858 and the balance of the long-term shareholder advance of \$990. The consideration of \$1,848 is in the form of an unsecured note receivable that yields interest at 3% per annum with payments of \$800 due on closing which was received on January 8, 2018, \$400 received on September 30, 2018, \$400 due on September 30, 2019 (note 6) and \$248 plus all accrued interest due on September 30, 2020. On December 23, 2019 the Company received the final principal payment of the \$248 as well as accrued interest in the amount of \$27 for full and final settlement of the note receivable.

INVESTMENT IN QDSL

The Company has a 45% interest in Dongguan Qiguang Dynamic Steel Structures Ltd ("QDSL"), in Dongguan, Guangdong P.R. China which was involved in the steel fabrication and installation business in China which the Company has historically assessed as immaterial. In 2018, QDSL ceased operations. QDSL is a private entity and is not listed on any public exchange. The Company'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 Company assessed the current fair value of the investment at \$nil (2018 - \$nil). The Company is not exposed to any additional losses beyond its initial investment amount. The Company has not disclosed any financial information for QDSL as financial information is not available at the date of release.

OPTION INTEREST

In 2019, Dynamic Entertainment Group Ltd. ("DEGL"), a now 100% owned subsidiary of Empire, entered into an option agreement (the "Option") with a term of 30 months to purchase all of the shares of High Express Holdings (US) Inc.

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which is one of the two co-venture partners that owns 50% of Smoky Mountain Flyers, LLC. The exercise price of the Option is \$2,000 USD. As at December 31, 2019, the Company has assessed the fair value of this option at \$nil in consolidated balance sheet, due to the uncertainty over the Company's ability to exercise the Option during the term.

12. INTANGIBLE ASSETS

	Product Design	Patents	Total
Opening cost balance December 31, 2017	6,979	5,949	12,928
Additions	4,069	-	4,069
Impairment	(6,232)	(5,949)	(12,181)
Ending cost balance December 31, 2018	4,816	-	4,816
Opening amortization balance December 31, 2017	1,754	2,233	3,987
Amortization expense for the year	1,621	1,119	2,740
Impairment	(2,559)	(3,352)	(5,911)
Ending amortization balance December 31, 2018	816	-	816
Opening net book value December 31, 2017	5,225	3,716	8,941
Ending net book value December 31, 2018	4,000	-	4,000
Opening cost balance December 31, 2018	4,816	-	4,816
Additions	360	148	508
Ending cost balance December 31, 2019	5,176	148	5,324
Opening amortization balance December 31, 2018	816	-	816
Amortization expense for the year	1,597	15	1,612
Ending amortization balance December 31, 2019	2,413	15	2,428
Opening net book value December 31, 2018	4,000	-	4,000
Ending net book value December 31, 2019	2,763	133	2,896

The Company'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. As at December 31, 2019 the Company recorded an impairment charge of \$nil (2018 - \$6,270) due to uncertainty over the future cash flows to be generated from the underlying intangible assets. The value of the intangible assets that have been impaired will be reviewed periodically to determine if a reversal of all or some portion of the impairment charge is warranted.

13. BANK INDEBTEDNESS AND BANK OPERATING LINES

On April 29, 2019, the Company closed a refinancing transaction with an arms-length third party to replace its existing senior lender. The Company negotiated three separate facilities with its new lender with Facility A in the amount \$11,121 USD replacing the Company's existing revolving credit facility with its previous senior lender. This facility is capped at \$11,121 USD and the amount available under the facility is subject to sufficient marginable assets calculated on a monthly basis as defined in the terms of the loan agreement.

At December 31, 2019, the Company had total draws on its bank operating lines of credit of \$11,121 USD which is equivalent to \$14,444 (2018 - \$8,684). The Company's marginable assets at December 31, 2019 were in excess of the total advances on the facility. Advances on the facility are payable on demand and bear interest at Canadian prime rate plus 9.5%. The overdraft facility with a limit of \$11,121 USD, equivalent to \$14,444 (2018 - \$15,000) is secured by a general security agreement providing a first security interest in all present and after-acquired property of the Company. This facility is subject to the same financial covenants as the long-term debt facilities as outlined in note 15.

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14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Dec 31, 2019	Dec 31, 2018
Accounts payable and accrued liabilities	22,722	38,473
Project loss accruals (<i>note 7</i>)	9,162	5,066
Contract liabilities - customer rebate credit (<i>note 7</i>)	2,000	6,559
Accrued wages, vacation and bonuses payable	2,482	1,419
Commodity and other taxes payable	333	219
	36,699	51,736

15. FUNDED DEBT

	Dec 31, 2019	Dec 31, 2018
Facility B term loan	14,621	-
Facility C term loan	8,412	-
EDC term loan	5,195	5,457
CIBC term loans	-	1,479
Limited recourse loan	-	936
Other finance leases	-	329
	28,228	8,201
<i>Current portion of long-term debt</i>	24,332	6,203
<i>Long-term debt classified as current</i>	-	789
Total current portion	24,332	6,992
Long-term portion	3,896	1,209

On April 29, 2019, the Group closed a refinancing transaction with an arms-length third party to replace its existing senior lender. The refinancing consists of three separate facilities, two of which are categorized under long-term debt.

FACILITY B TERM LOAN

Facility B initially in the amount of \$11,121 USD and increased to \$11,257 USD as at December 31, 2019, equivalent to \$14,621 was advanced as a term loan to the Company. The proceeds of this loan first repaid the existing term loan with the Company's senior lender. Advances on this facility bear interest at Canadian prime rate plus 9.5%. Quarterly principal payments of \$278 USD on this facility commence in January 2020 until the maturity date of the facility. The facility is scheduled to be repaid in full by October 29, 2020.

FACILITY C TERM LOAN

Facility C in the amount of \$6,477 USD, equivalent to \$8,412 was advanced as a short-term bridge to enhance the initial liquidity upon closing with a scheduled lump sum repayment date of December 31, 2019. Advances on this facility are bear interest at Canadian prime rate plus 9.5%. Prior to December 31, 2019, the Company's lender granted an extension of the repayment of this facility to March 31, 2020. After December 31, 2019 but prior to March 31, 2020, the Company's lender agreed to extend the maturity date of this facility to May 29, 2020. Subsequent to March 31, 2020 but prior to May 29, 2020, the Company's lender consented to extending the maturity date of the facility to July 15, 2020 (*note 32*)

EDC TERM LOAN

In conjunction with the new credit facilities obtained, the Company renegotiated the EDC term loan. Under the revised terms, the loan would bear interest at US prime rate plus 9.5%. The repayment of the outstanding principal balance of

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\$4,000 USD was extended, with quarterly principal payments of \$1,000 USD commencing on November 16, 2020 and ending on August 16, 2021. The EDC term loan is subject to the same covenants, terms and conditions as the Company's third-party lender for facilities A (note 13), B and C.

CIBC TERM LOANS

The CIBC term loans bore interest at prime plus 1.5%. The terms loans were repaid in full on April 29, 2019 as part of the Company's refinancing of its credit facilities.

OTHER FINANCE LEASES

Other finance leases in 2018 were for office equipment that bears interest between 5 - 8% with aggregate monthly payments of \$11 maturing in 2021. In adopting the IFRS 16 – Leases, the liabilities previously recorded as other finance leases have been reclassified to Lease liabilities (note 16) and the associated assets have been reclassified from property, plant and equipment to Right-of-use assets (note 10).

LIMITED RECOURSE LOAN

During the year, the Company concluded that there was no scenario that would result in the Company being obligated to pay the principal balance of the loan as well as the interest accrued to date. As a result, the Company re-measured the principal balance and accrued interest. In 2018, the Company had a liability for the principal balance of \$936 and for accrued interest of \$125, the latter being recorded in accounts payable and accrued liabilities. The remeasurement of the principal balance of the loan was recorded as an increase in other income of \$923 and a realized foreign exchange gain recorded in revenues of \$13. The recovery of the accrued interest on the loan was recorded as a reduction in finance costs in 2019.

COVENANT COMPLIANCE

The Company was not in compliance with the senior debt to earnings before interest, taxes, depreciation and amortization "EBITDA", fixed charge coverage, total debt to total capitalization and accounts payable aging financial covenants contained in its credit facilities agreement as at December 31, 2019. In anticipation of this, the Company secured a waiver of those covenants prior to December 31, 2019 and as a result, any funded debt subject to those covenants that was due in 2021 and beyond was classified as long-term. All existing credit facilities are subject to the same financial covenants.

In 2018 long-term funded debt of \$789 was classified as current as the Company was in violation of its senior debt to EBITDA, fixed charge coverage and total debt to total capitalization financial covenants in its credit agreement and waivers were not obtained either before December 31, 2018 or subsequently.

The Company's funded debt is scheduled to be repaid (excluding the limited recourse loan) as follows:

2020	24,332
2021	3,896
	28,228

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16. LEASE LIABILITIES

The Company's schedule of lease liabilities including the current and long-term portions is as follows:

Lease liabilities continuity schedule	Facilities	Office Equip	Vehicles	Total
Opening balance - January 1, 2019	9,432	329	48	9,809
Additions	4,002	-	42	4,044
Disposals	(329)	-	(7)	(336)
Foreign exchange adjustments	(87)	-	-	(87)
Principal repayments	(2,075)	(124)	(37)	(2,236)
Ending balance - December 31, 2019	10,943	205	46	11,194
<i>Current portion of lease liabilities</i>	1,420	134	17	1,571
<i>Long-term portion of lease liabilities</i>	9,523	71	29	9,623

17. SHARE CAPITAL

COMMON SHARES

The Company 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. As of December 31, 2019 the Company had 163,329,326 common shares issued and outstanding with no par value (2018 – 103,142,678).

On October 30, 2019 and December 19, 2019, 2,000,000 and 1,500,000 outstanding common share purchase warrants were exercised respectively at an exercise price of \$0.50 per common share purchase warrant for gross proceeds of \$1,750 combined.

On December 17, 2019 and December 27, 2019, the Company closed two tranches of a private placement for gross proceeds of \$9,750 in exchange for 7,317,073 and 16,436,414 respectively for a total of 23,780,487 common shares valued at \$0.41 per common share. The total gross proceeds were directed towards general working capital purposes.

On December 31, 2019, the Company completed the early conversion of 100% of its convertible preferred shares previously issued in 2019 for an aggregate of 32,906,161 common shares at a weighted exchange price of \$0.444 per common share. The aggregate number of common shares issued comprised of 25,244,443 common shares at \$0.45 per common share consistent with the conversion formula included in the issuance and 7,661,718 common shares at \$0.425 per common share as a premium for the early exchange. The share exchange premium cash value of \$3,256 was equivalent to 3.583 years of forgone 8% cumulative dividends that would have accrued and been paid on the convertible preferred shares if they were not exchanged early.

On June 22, 2018, the Company closed a private placement of 11,111,110 units at a share price of \$0.45 per share for gross proceeds of the \$5,000. Transaction costs associated with the private placement were \$59 for net proceeds received of \$4,941. Each unit issued pursuant to the offering was comprised of one common share and one common share purchase warrant. An aggregate of 11,111,110 Common Shares and 11,111,110 Warrants were issued. The Warrants expire on June 22, 2021, which is three years from closing date.

On June 12, 2018, 6,300,000 outstanding common share purchase warrants were exercised at an exercise price of \$0.272 per common share purchase warrant for gross proceeds of \$1,700.

During 2018, 70,000 options were exercised for cash proceeds of \$39. In addition to the cash proceeds, contributed surplus of \$23 was reclassified to share capital upon the exercising of the options.

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CONVERTIBLE PREFERRED SHARES

In 2019, the Company issued convertible preferred shares. Each convertible preferred share would accrue dividends at 8% per annum payable annually in arrears and be convertible into common shares of the Company at any time before thirty-six months from the date of issue at \$0.45 per common share and thereafter until sixty months from the date of issue for \$0.75 per common share; provided that only the redemption value of the convertible preferred shares, being equal to the issue price per share, may be converted into common shares. The convertible preferred shares may also be redeemed by the Company upon the earlier of (i) thirty-six month and one day from the date of issue; and (ii) immediately upon the volume-weighted average trading price of the common shares exceeding \$1.00 per common share for the prior thirty trading days, and may be retracted by the holder any time after thirty-six months and one day from the date of issue.

Between May 6, 2019 and June 10, 2019, the Company issued 755,000 convertible preferred shares for gross proceeds of \$7,550, valued at \$10.00 per convertible preferred share. On November 29, 2019, the Company issued 381,000 convertible preferred shares to purchase the outstanding 26.5% stake in Dynamic Entertainment Group Ltd. that it did not already own, valued at \$3,810, or \$10.00 per convertible preferred share. All terms and conditions were the same between both tranches issued.

Upon initial recognition, each tranche was deemed to be a financial liability and as such, the discounted value of each tranche was recorded as a liability with the difference between the face value and the discounted value of each tranche of preferred shares being recorded separately in equity. The discount rate used was 13.5% which the Company estimated was the prevailing market rate for similar transactions.

On December 31, 2019, 100% of the convertible preferred shares were converted in exchange for 25,244,443 common shares at \$0.45 per common share. As noted above in the share capital discussion, an additional 7,661,718 common shares at \$0.425 per common share were issued to the holders as a premium for the early exchange. Up to the date of conversion, the Company recorded \$181 (note 21) as accretion expense in the statement of comprehensive loss. In addition to that, the Company also recorded a \$3,256 (note 21) finance expense to account for the conversion inducement, to be settled through the issuance of additional common shares as part of the early conversion. As a result of the exchange transaction, there were no convertible preferred shares outstanding as of December 31, 2019.

The table below shows the financial presentation of these transactions upon initial recognition and after the conversion:

	Liability Value	Equity Value	Face Value
Tranche # 1	6,107	1,443	7,550
Tranche # 2	3,082	728	3,810
Financial presentation upon initial recognition	9,189	2,171	11,360
Add: full value of accretion upon conversion	181	-	181
Less: reclass to share capital on conversion	(9,370)	(2,171)	(11,541)
Financial presentation after early conversion	-	-	-

CONTRIBUTED SURPLUS

On November 29, 2019, the Company acquired the non-controlling interest of DEGL, previously a majority-owned subsidiary in exchange for convertible preferred shares with a face value of \$3,810. At the time of the acquisition, the book value of the non-controlling interest was \$1,781, which the proceeds were used to retire and the balance of \$2,029 was recorded as a reduction of contributed surplus.

WARRANTS

The Company has 7,611,110 warrants outstanding from a private placement of common shares in 2018. Each warrant entitles the holder to purchase one additional common share at the following exercise price: (i) \$0.50 per common

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share until December 22, 2019; and (ii) \$0.75 per common share thereafter until expiry on June 22, 2021. The warrants are transferrable with the consent of the Company.

The warrants are recorded at fair value which the Company has estimated at \$nil. The exercise price of the warrants, the escalation of the exercise price and 3-year life results in fair value estimates from conventional and accepted Black-Scholes pricing models are not reasonable or appropriate to properly reflect the underlying transactions.

A summary of the Company's warrants as at December 31, 2019 and December 31, 2018 and changes during the periods then ended are as follows:

	Dec 31, 2019	Weighted Average Exercise Price	Dec 31, 2018	Weighted Average Exercise Price
Balance, beginning of the year	11,111,110	0.27	6,300,000	0.27
Warrants issued	-	0.50	11,111,110	0.50
Warrants exercised	(3,500,000)	0.50	(6,300,000)	0.27
Balance, end of the year	7,611,110	0.75	11,111,110	0.50
Exercisable	7,611,110	0.75	11,111,110	0.50
Weighted remaining average life (years)	1.47		2.47	

STOCK OPTIONS

The Company maintains a stock option plan for the benefit of officers, directors, key employees and consultants of the Company. At December 31, 2019 the Company was permitted to issue up to a maximum of 16,351,682 stock options, being 10% of the outstanding common shares. A continuity of the Company's options as at December 31, 2019 and December 31, 2018 are as follows:

	Dec 31, 2019	Weighted Average Exercise Price	Dec 31, 2018	Weighted Average Exercise Price
Balance, beginning of the year	4,482,917	0.45	4,691,667	0.40
Options issued	1,025,400	0.48	1,525,000	0.54
Options expired	(625,000)	0.40	(1,238,750)	0.36
Options forfeited	(1,201,650)	0.49	(425,000)	0.48
Options exercised	-	0.36	(70,000)	0.36
Balance, end of the year	3,681,667	0.46	4,482,917	0.45
Exercisable	2,956,666	0.45	3,466,252	0.43
Weighted average life (years)	2.10		2.28	

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The tables below outline the number of options, the weighted average remaining life (in years) and distinction between outstanding and exercisable at each exercise price for all options outstanding as at December 31, 2019 and December 31, 2018 respectfully:

Exercise Price (\$)	Options - Outstanding			Options - Exercisable	
	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (\$)	Number Exercisable	Weighted Average Exercise Price (\$)
0.32	25,000	1.13	0.32	25,000	0.32
0.40	1,544,167	1.74	0.40	1,544,167	0.40
0.44	250,000	0.07	0.44	250,000	0.44
0.47	500,000	4.66	0.47	166,667	0.47
0.50	787,500	1.17	0.50	587,500	0.50
0.56	575,000	3.05	0.56	383,334	0.56
	3,681,667	2.10	0.46	2,956,668	0.45

Exercise Price (\$)	Options - Outstanding			Options - Exercisable	
	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price (\$)	Number Exercisable	Weighted Average Exercise Price (\$)
0.32	25,000	2.13	0.32	25,000	0.32
0.40	2,495,417	2.25	0.40	2,495,417	0.40
0.44	250,000	1.07	0.44	250,000	0.44
0.50	787,500	2.17	0.50	387,500	0.50
0.56	925,000	4.05	0.56	308,335	0.56
	4,482,917	2.28	0.45	3,466,252	0.43

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

Issuance Year	Vesting Term	Assumed Volatility	Risk-free Rate	Forfeiture Rate	Market Price @ Grant	Fair Value	2019 SBC	2018 SBC
2016	2 Years	135.94%	0.53%	6.7%	0.395	640	-	34
2018	4 Years	78.74%	1.91%	6.0%	0.56	304	47	188
2018	3 Years	69.59%	1.98%	5.7%	0.485	134	41	83
2019	2 Years	70.00%	1.53%	0.0%	0.49	150	50	-
2019	2 Years	61.12%	1.21%	5.5%	0.465	110	55	-
							193	305

NON-CONTROLLING INTEREST

Until November 29, 2019, the Company owned 73.5% of Dynamic Entertainment Group Ltd. ("DEGL"), and as such has consolidated its financial statements within the Company's consolidated financial statements. In conjunction with that,

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the Company had separately disclosed the non-controlling interest component of DEGL within the Company's shareholder equity section. At the time of the acquisition the, the value of DEGL's non-controlling interest was \$1,781.

In 2019, the non-controlling interest share of the comprehensive loss of the Company was \$489 (2018 - \$230).

18. COST OF SALES

	Dec 31, 2019	Dec 31, 2018
Direct construction costs	(70,328)	(101,604)
Construction cost overruns	(9,645)	(9,089)
Indirect salaries and benefits	(10,845)	(10,865)
Indirect production costs	(5,187)	(5,019)
	(96,005)	(126,577)

Included in cost of sales is \$900 (2018 - \$1,040) expensed during the year for defined contribution pension plans.

19. DEPRECIATION AND AMORTIZATION

	Dec 31, 2019	Dec 31, 2018
Depreciation of property, plant and equipment	(2,811)	(3,116)
Amortization of intangible assets	(1,612)	(2,740)
Depreciation of right-of-use assets	(2,737)	-
	(7,160)	(5,856)

20. SELLING AND ADMINISTRATIVE EXPENSES

	Dec 31, 2019	Dec 31, 2018
Salaries and benefits	(12,962)	(12,782)
General, selling and administrative expenses	(6,435)	(6,945)
	(19,397)	(19,727)

Included in selling and administrative expenses is \$246 (2018 - \$242) expensed during the year for defined contribution pension plans.

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21. FINANCE COSTS

	Dec 31, 2019	Dec 31, 2018
Interest on long-term borrowings	(2,801)	(559)
Interest on short-term borrowing and other	(2,812)	(1,232)
Inducement for early conversion of preferred shares (note 17)	(3,256)	-
Interest on right of use lease liabilities	(738)	-
Accretion expense	(181)	-
Finance charges	(1,464)	-
	(11,252)	(1,791)

22. OTHER COMPONENTS OF INCOME (LOSS)

	Dec 31, 2019	Dec 31, 2018
Restructuring provision	-	(691)
Gain (loss) on disposal of property, plant and equipment	(98)	(565)
Gain on sale of shares of TGHL (note 11)	1,558	-
Gain on remeasurement of limited recourse loan (note 15)	923	-
Valuation allowance of investment tax credits	-	(9,778)
Miscellaneous income (loss)	(350)	(486)
	2,033	(11,520)

In 2018, the Company recorded a valuation allowance of \$9,778 for investment tax credits previously recognized. In addition, the Company recorded a restructuring charge in 2018 of \$691 in the period relating to its curtailment its unlimited services division which was a component of the media-based attractions operating segment.

23. LOSS PER SHARE

Income per share for the year ended December 31:

	Dec 31, 2019	Dec 31, 2018
Net loss from continuing operations	(20,450)	(48,338)
Net loss from discontinued operations	(6,708)	(2,125)
Basic weighted average number of shares	104,082,949	94,997,878
Net loss per share - continuing operations	(0.20)	(0.51)
Net loss per share - discontinued operations	(0.06)	(0.02)
Net loss per share	(0.26)	(0.53)

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

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weighted average number of common shares outstanding assuming all dilutive securities are exercised at the beginning of the year. The effect of potentially dilutive securities ("in-the-money" executive stock options and "in-the-money" warrants) have been excluded as they are anti-dilutive.

24. INCOME TAX EXPENSE (RECOVERY)

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

	Dec 31, 2019	Dec 31, 2018
Current tax expense	-	-
Adjustments recognized for current tax of prior periods or temporary difference of a prior period used to reduce tax expense	(132)	(101)
Total current tax expense	(132)	(101)
Deferred tax expense relating to origination and reversal of temporary differences, unused tax losses, and unused tax credits	-	-
Deferred tax expense arising from the writedown of deferred tax assets	71	(8,545)
Total deferred tax (expense) recovery	71	(8,545)
Total income tax (expense) recovery	(61)	(8,646)

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, 2019	Dec 31, 2018
Accounting loss	(27,025)	(41,817)
Combined federal and provincial statutory income tax rate	26.91%	26.92%
Income tax calculated using combined federal and provincial statutory income tax rate	(7,272)	(11,257)
Non-deductible expenses	125	207
Non-taxable portion of capital gains	(405)	-
Adjustments recognized for current tax of prior periods	-	101
Equity income of subsidiaries	(30)	45
Non-controlling interest	132	-
Current year finance charges (preferred share dividends)	879	-
Items charged to equity	(71)	-
Deferred tax assets not recognized	4,863	19,550
Discontinued operations	1,840	-
Income tax expense	61	8,646

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

	Dec 31, 2017	Recognized in income tax expense	Recognized in other income	Recognized in intangible assets	Dec 31, 2018	Recognized in income tax expense	Re- cognized in equit	Recognized in other income	Recognized in intangible assets	Dec 31, 2019
Deferred tax assets:										
Capital leases	40	(40)	-	-	-	-	-	-	-	-
Investment tax credits	9,778	-	(9,778)	-	-	-	-	469	(469)	-
Non-capital losses	8,757	(6,901)	-	-	1,856	36	-	-	-	1,892
Research and development expenses	4,619	(443)	-	-	4,176	2,195	-	-	-	6,371
Share issuance costs	54	(54)	-	-	-	71	(71)	-	-	-
Other	3,276	(3,276)	-	-	-	-	-	-	-	-
Total deferred tax assets	26,524	(10,714)	(9,778)	0	6,032	2,302	(71)	469	(469)	8,263
Deferred tax liabilities:										
Accounts receivable	(2,145)	(1,715)	-	-	(3,860)	(864)	-	-	-	(4,724)
Convertible debentures	-	-	-	-	-	-	-	-	-	-
Intangible assets	(2,325)	1,323	-	-	(1,002)	295	-	-	-	(707)
Investment in associate	1	(1)	-	-	-	(64)	-	-	-	(64)
Investment tax credits	(2,013)	2,013	-	-	-	-	-	-	-	-
Property, plant and equipment	(1,490)	537	-	-	(953)	242	-	-	-	(711)
Other	(217)	-	-	-	(217)	(1,840)	-	-	-	(2,057)
Total deferred tax liabilities	(8,189)	2,157	-	-	(6,032)	(2,231)	-	-	-	(8,263)
Foreign operations										
Deferred tax assets:										
Property, plant and equipment	-	451	-	-	451	(451)	-	-	-	0
Non-capital losses	-	13	-	-	13	141	-	-	-	154
Total deferred tax assets	-	464	-	-	464	(310)	-	-	-	154
Property, plant and equipment	(54)	(410)	-	-	(464)	310	-	-	-	(154)
Other	(17)	17	-	-	-	-	-	-	-	-
Total deferred tax liabilities	(71)	(393)	-	-	(464)	310	-	-	-	(154)
Net deferred tax assets	18,264	(8,486)	(9,778)	-	-	71	(71)	469	(469)	-

The amount (and expiry date, if any) of deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognized are as follows:

Inventory	212
Property, plant and equipment and intangibles	872
Accounts payable and accrued liabilities	4,671
Contract liabilities	6,092
Financing costs	384
Investment tax credits (expiring in 2022 and later years)	12,773
Non-capital losses - Canada (expiring in 2031 and later years)	63,382
Non-capital losses - USA	9,304
Other	218
	97,908

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25. REPORTABLE SEGMENTS

A description of the Company's business segments, Ride Systems Manufacturing, Parts & Service and Corporate & Other are included in note 2. Revenue recognition is not consistent between the segments as all revenues are recognized to reflect contractual performance obligations and their timing.

The tables below show the segmented performance for the Company from its three operating segments, Ride System Manufacturing, Parts & Services and Corporate & Other for the years ended December 31, 2019 and 2018 respectively:

2019	Ride System Mfg	Parts & Service	Corporate & other	Inter- segment	Total
Sales	99,507	10,260	3,571	(3,208)	110,130
Cost of goods sold	(89,843)	(6,436)	(2,934)	3,208	(96,005)
Depreciation & amortization	(6,744)	(20)	(396)	-	(7,160)
Operating income	2,920	3,804	241	-	6,965
Selling, general and administrative expenses	(13,161)	(1,384)	(4,852)	-	(19,397)
Finance costs	(3,209)	(8)	(8,035)	-	(11,252)
Other non-operating items	239	-	3,127	-	3,366
Net loss before tax	(13,211)	2,412	(9,519)	-	(20,318)
Property, plant and equipment	7,378	-	438	-	7,816
Total assets	74,860	2,894	12,745	-	90,499
Total Liabilities	117,208	1,659	8,971	-	127,838

During 2019, the Company's rides systems manufacturing segment was negatively impacted by its first-generation projects at the operating income level by \$14,167.

2018	Ride System Mfg	Parts & Service	Corporate & other	Inter- Segment	Total
Sales	127,912	7,138	3,186	(2,841)	135,395
Cost of goods sold	(121,709)	(5,055)	(2,654)	2,841	(126,577)
Depreciation & amortization	(5,680)	-	(176)	-	(5,856)
Operating income	523	2,083	356	-	2,962
Selling, general and administrative expenses	(14,034)	(1,160)	(4,533)	-	(19,727)
Finance costs	(203)	(4)	(1,584)	-	(1,791)
Other non-operating items	(17,665)	-	(3,471)	-	(21,136)
Net loss before tax from continuing operations	(31,379)	919	(9,232)	-	(39,692)
Property, plant and equipment	8,445	-	957	-	9,402
Total assets	57,269	919	5,134	-	63,322
Total Liabilities	79,474	1,357	21,067	-	101,898

During 2018, the Company's rides systems manufacturing segment was negatively impacted by its first-generation projects at the operating income level by \$20,028

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The following table breaks down the sales by geographical region:

	Dec 31, 2019	Dec 31, 2018
Canada	10,936	7,121
United States	69,089	46,864
Asia	29,713	72,092
Middle East/Europe	392	9,318
	110,130	135,395

All the Company non-current assets are in Canada except for \$3,327 (2018 - \$4,517) of property, plant and equipment located in the United States and right-of use assets of \$1,359

26. CAPITAL DISCLOSURE AND MANAGEMENT

The Company's capital base is comprised of share capital, contributed surplus, accumulated deficit and accumulated other comprehensive (AOCI). At December 31, 2019 the Company's capital base was a deficit of \$33,700 (2018 - \$31,002). The Company's focus is on increasing earnings and improving its statement of financial position. The Company has historically retained all earnings for reinvestment into the operations of the Company. Of the three financial covenants that are part of the credit agreements with the senior lenders that provide the Company's credit facilities, one covenant involves shareholders equity in the calculation. As outlined in note 15, the Company is not in compliance with its financial covenants for which waivers were obtained prior to December 31, 2019.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The following tables present information on the Company's financial assets and financial liabilities and discloses the fair value hierarchy of the valuation techniques used to determine this fair value for all periods presented:

As at December 31, 2019:

	Carrying Value	Fair Value	Classification	Level
Cash and equivalents	12,848	12,848	Amortized cost	N/A
Accounts receivable	13,522	13,522	Amortized cost	N/A
Investment in TGHL	2,382	2,382	FVOCI	1
Derivative financial instruments	-	-	FVTPL	3
Bank indebtedness	(14,444)	(14,444)	Amortized cost	N/A
Accounts payable and accrued liabilities	(25,537)	(25,537)	Amortized cost	N/A
Funded debt including current portion	(28,228)	(28,228)	Amortized cost	N/A
Limited recourse loan	-	-	Amortized cost	N/A

As at December 31, 2018:

	Carrying Value	Fair Value	Classification	Level
Cash and equivalents	137	137	Amortized cost	N/A
Accounts receivable	45,226	45,226	Amortized cost	N/A
Note receivable	248	248	Amortized cost	N/A
Derivative financial instruments	(2,931)	(2,931)	FVTPL	2
Bank indebtedness	(8,684)	(8,684)	Amortized cost	N/A
Accounts payable and accrued liabilities	(51,736)	(51,736)	Amortized cost	N/A
Long-term debt including current portion	(7,265)	(7,230)	Amortized cost	N/A

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Limited recourse loan	(936)	(936)	Amortized cost	N/A
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The fair values of cash and equivalents, accounts receivable (including, 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 funded debt including finance leases 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 was determined by reference to information provided by CIBC who the Company holds the contracts with using recognized valuation techniques.

RISK MANAGEMENT

In the normal course of its business, the Company 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 Company, management considers the avoidance of undue concentrations of risk. The Company 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 Company cannot meet its financial obligations associated with financial liabilities in full. A range of alternatives is available to the Company 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 Company's foreseeable financial obligations associated with financial liabilities. The following table summarizes the Company's financial liabilities with corresponding maturity dates as at December 31, 2019:

	Total	2020	2021	2022	2023	2024+
Accounts payable and accrued liabilities	36,699	36,699	-	-	-	-
Bank indebtedness	14,444	14,444	-	-	-	-
Long-term debt	28,228	24,332	3,896	-	-	-
Lease liabilities	11,194	1,571	1,571	1,571	1,571	4,910
Total	90,565	77,046	5,467	1,571	-	4,910

The Company expects to have adequate resources to discharge these financial liabilities. The Company 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 Company. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company 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 Company also reviews new customer credit history before establishing credit and periodically reviews existing customer credit performance. The Company 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, 2019, the Company had one individual customer accounting for approximately 22% of accounts receivable excluding holdbacks (2018 - 23%).

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MARKET RISK

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. There has been no change to the Company'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 Company sells its products, as well as, purchases goods in both Canadian and U.S. currencies. Accordingly, the Company 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 Company 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.

(In \$000's USD)	Dec 31, 2019	Dec 31, 2018
Cash (bank indebtedness) (bank balance less outstanding cheques)	(7,472)	4,032
Accounts receivable (including contract assets)	36,164	29,218
Accounts payable & accrued liabilities	(8,949)	(18,676)
Long-term debt	(21,735)	(6,427)
Derivative Financial Instruments	-	(53,923)
Net foreign currency exposure	(1,992)	(45,776)

For the year ended December 31, 2019, 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 \$199 higher (2018 - \$4,578). Conversely, if the Canadian dollar had weakened 10% percent against the US dollar with all other variables held constant, net income would have been \$199 lower (2017 - \$4,578).

Included in revenue are gains on translation of foreign currency monetary assets and liabilities and gains on foreign currency transactions of \$1,221 for the year ended December 31, 2019 (2018 - \$2,362).

The outstanding notional amounts of forward contracts outstanding for the Company as well as the forward rates and maturity dates are disclosed in the tables below for all of the periods of the statement of financial position presented in these consolidated financial statements are outlined in the tables below. At December 31, 2019, the Company did not have any outstanding foreign currency forward contracts. As at December 31, 2018, the Company has the following US dollar forward foreign currency contracts outstanding:

	Nominal Amount	Forward Rate	Fair Value
Forward contracts expiring March 29, 2019	13,923	1.2864	(1,071)
Forward contracts expiring March 29, 2019	10,000	1.3180	(441)
Forward contracts expiring June 28, 2019	10,000	1.3180	(414)
Forward contracts expiring September 30, 2019	10,000	1.3051	(513)
Forward contracts expiring December 31, 2019	10,000	1.3051	(492)
	53,923		(2,931)

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The Company's mark to market liability of \$nil relating for forward foreign currency contracts was a \$2,931 reversal from the liability of \$2,931 recorded as at December 31, 2018. The Company settled the outstanding forward contracts that expired in 2019 and did not have any outstanding at December 31, 2019.

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 Company is exposed to interest rate risk primarily through its variable rates on bank operating lines and long-term borrowings. The Company manages exposure to interest rate risk by using a combination of fixed and floating rate debt instruments.

For the year ended December 31, 2019, 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 \$214 (2018 - \$121) 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 \$214 (2018 - \$121) lower, arising mainly as a result of higher interest expenses on variable borrowings.

Commodity price risk

Manufacturing costs for the Company's products are affected by fluctuations in the price of raw materials, primarily steel. To manage its risk, the Company 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. To limit the risk associated with steel price increases, the Company 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 Company's liabilities are actively managed. Additionally, the financial position of the Company 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 Company'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.

28. RELATED PARTIES

The Company had sales to related parties and associates in the amount \$nil (2018 - \$nil which included management fees of \$60), and purchases from an Associate of \$nil (2018 - \$957). 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, 2019	Dec 31, 2018
Salary and short-term employee benefits	3,056	3,775
Post-employment benefits	85	75
Share-based payments	193	201
	<u>3,334</u>	<u>4,051</u>

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29. GUARANTEES AND CONTINGENCIES

LETTERS OF CREDIT

In the normal course of business, the Company contracted letters of credit for an amount of \$3,894 USD as at December 31, 2019 (2018 - \$5,111). The Company has a guarantee facility with Export Development Canada to guarantee letters of credit for performance security and advance payment guarantees issued by the Company on international construction contracts. The total value of letters of credit disclosed above are guaranteed by this facility and is secured by a general security agreement providing second security interests in all of the Company's present and after-acquired property.

OTHER INDEMNIFICATION PROVISIONS

From time to time, the Company 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 Company from making a reasonable estimate of the maximum potential amount it could incur. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

OTHER CONTINGENCIES

The Company 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 Company.

30. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During 2019, the Company decided to cease operations of both its steel fabrication operations Empire Iron Works (a division of Dynamic Attractions Ltd.) "EIW" in Edmonton, Alberta as well as its telescope mirror-making and mirror-polishing activities, Dynamic Optics Inc. "DIO" in Port Coquitlam, British Columbia and undertake to sell the assets. The Company has recorded the non-current assets of its steel fabrication operations at a fair value of \$1,895 and has separately identified them on the statement of financial position. The Company's telescope mirror-making and mirror-polishing operations did not have any non-current assets.

As a result of the decision to cease operations and divest of the underlying assets, the Company has reported the operating results for both the steel fabrication operations and its mirror-making and mirror-polishing operations as discontinued operations in its consolidated statement of loss and comprehensive income (loss) for the year ended December 31, 2019 as well as the comparative year ended December 31, 2018. Included in the 2019 operating results are impairment charges of \$1,641 to items of property, plant and equipment to adjust the assets to be sold to their estimated fair values. An additional \$1,302 impairment charge was recorded to reduce the inventory values to the estimated recoverable amounts.

The table below outlines the operating results for both operations for the years ended December 31, 2019 and 2018:

	EIW	DOI	2019	EIW	DOI	2018
Sales	5,627	3	5,630	5,542	3	5,545
Cost of goods sold	(7,516)	(91)	(7,607)	(6,224)	(121)	(6,345)
Depreciation & amortization	(480)	-	(480)	(373)	-	(373)
Operating income	(2,369)	(88)	(2,457)	(1,055)	(118)	(1,173)
Selling, general and administrative expenses	(1,079)	(2)	(1,081)	(931)	(13)	(944)
Finance costs	(32)	-	(32)	(2)	-	(2)
Other non-operating items	(3,138)	-	(3,138)	(6)	-	(6)

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Income (loss) before tax	(6,618)	(90)	(6,708)	(1,994)	(131)	(2,125)
Income tax expense	-	-	-	-	-	0
Loss from discontinued operations	(6,618)	(90)	(6,708)	(1,994)	(131)	(2,125)

The table below outlines the items of property, plant and equipment that have been reclassified as held-for-sale:

	Land	Building	M&E	Office Equip.	Lease-holds	Vehicles	Parking Lots	Total
	\$	\$	\$	\$	\$	\$	\$	\$
COST								
Balance, December 31, 2018	-	-	-	-	-	-	-	-
Reclass from pp&e	520	3,131	4,143	930	85	24	48	8,881
Disposals	-	-	(447)	-	-	-	-	(447)
Impairment charges	-	(1,160)	(476)	-	-	-	(5)	(1,641)
Balance, December 31, 2019	520	1,971	3,220	930	85	24	43	6,793
DEPRECIATION								
Balance, December 31, 2018	-	-	-	-	-	-	-	-
Reclass from pp&e - opening	-	994	2,712	909	79	(8)	40	4,726
Depreciation charge for the year	-	97	217	17	6	8	3	348
Disposals	-	-	(176)	-	-	-	-	(176)
Impairment charges	-	-	-	-	-	-	-	-
Balance, December 31, 2019	-	1,091	2,753	926	85	0	43	4,898
Net book value, December 31, 2019	520	880	467	4	0	24	0	1,895

31. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Dec 31, 2019	Dec 31, 2018
Share of loss (income) from an associate	(221)	330
Loss on sale of property, plant and equipment	98	561
Loss (gain) on foreign exchange revaluation of limited recourse loan	(13)	-
Stock-based compensation expense	193	305
Foreign currency adjusted (net of tax)	160	(154)
Accretion of convertible preferred shares	181	-
Gain on foreign exchange revaluation of funded debt	(1,142)	534
Loss on foreign exchange revaluation of property, plant and equipment	234	(441)
Unrealized foreign currency translation gains recorded in revenues	(1,090)	(574)
Gain on remeasurement of limited recourse loan	(923)	-
Foreign exchange revaluation of ROU assets and lease liabilities	-	-
	(2,523)	561

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

	Dec 31, 2019	Dec 31, 2018
Accounts receivable	(7,576)	(11,589)
Inventory	3,141	(3,746)
Prepaid expenses	(358)	(212)
Accounts payable and accrued liabilities	(14,695)	19,669
Contract liabilities	6,427	8,508
Other	(11)	(1,632)
	(13,072)	10,998

The table below discloses the detailed changes in the Company's liabilities from financing activities including cash and non-cash changes:

	Dec 31, 2018	Cash Flow Changes	Impact of FX rate changes	Other Adjustment	Dec 31, 2019
Long-term debt	7,265	22,434	(1,142)	(329)	28,228
Limited recourse loan	936	-	(13)	(923)	-
	8,201	22,434	(1,155)	(1,252)	28,228

32. SUBSEQUENT EVENTS

CREDIT FACILITY WAIVERS

After December 31, 2019 the Company has received additional covenant waivers for the periods ending March 31, 2020 and June 30, 2020 and negotiated extensions on the maturity date on of Facility C, first to May 29, 2020 and additionally to July 15, 2020. On May 14, 2020, the Company repaid \$1,480 USD of the principal balance of Facility C prior to finalizing the extension of the balance of Facility C.

The Company is in active discussions with its senior lenders to restructure and extend the maturity dates of its current credit facilities and expects to complete that process prior to the maturity dates of the current facilities. The waivers and extensions received subsequent to December 31, 2019 have been granted as part of that overall process.

COVID 19 IMPACT

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The Company's operations have been impacted as result of installations sites being closed

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requiring demobilization costs and new and existing customers re-evaluating their near-term project plans and budgets.

The Company has responded to this by, staggering operations in its production facilities to reduce the number of workers in the production facilities at any given time, reducing expenses including headcount where required and enrolling in government monetary stabilization programs where required.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.