

EMPIRE INDUSTRIES LTD.

Price (Close June 1): \$0.125
52-Week Range: \$0.19-\$0.085
Recommendation: Spec. Buy
Target: 1st \$0.22
 2nd \$0.27
Shares O/S: 258.24 M
Market Cap: \$32.3 M
Average Volume:
 50-Day: 240,000
 200-Day: 236,500
Symbol: TSX-V: EIL



PROFILE: Winnipeg-based manufacturer of specialized engineered products, selling in domestic and selected international markets. The Company’s primary focus is on its Media-based Attractions operations.

The Thirty-Meter Telescope

The Government of Canada announced in April that it is supporting the Thirty-Meter Telescope international partners with a \$243.5 million construction funding commitment. Empire Industries’ wholly-owned division, Dynamic Structures, will be responsible for the construction of the enclosure for the telescope. The government’s financial commitment was vital to Dynamic Structures’ continuing involvement with the telescope project.

COMMENT: *Dynamic Structures, designed the enclosure for the telescope in the first place. The Harper Government’s involvement ensures that the enclosure will be built in Canada for shipment to Hawaii upon completion. Dynamic Structures is a primary force in the design and manufacture of all sizes of telescopes for installation world-wide, and the Canadian Government’s financial commitment recognizes this expertise.*

The Thirty-Meter Telescope project was conceived and designed by both Canadian astronomers and Canadian industry in a partnership that includes Canadian entities, the University of California, the California Institute of Technology, Japan, China, and India.

The estimated cost of the TMT project is US\$1.5 billion. The TMT enclosure will be installed on top of Mauna Kea in Hawaii, and is expected to be operational by 2023.

An Associated Press article, dated May 24, 2015 provides an update as to what is transpiring with the consortium’s building of this giant telescope. The article begins on the next page.

Company behind Thirty Meter Telescope moves forward amid talks

By Associated Press

POSTED: 12:17 p.m. HST, May 24, 2015

LAST UPDATED: 12:18 p.m. HST, May 24, 2015



ASSOCIATED PRESS

This 2011 file artist rendering provided by Thirty Meter Telescope, shows the Thirty Meter Telescope. Aside from the ongoing standstill atop Mauna Kea, those behind the Thirty Meter Telescope are moving forward with the \$1.4 billion project.

Aside from the ongoing standstill atop Mauna Kea, those behind the Thirty Meter Telescope are moving forward with the \$1.4 billion project.

"While construction of the observatory itself has been halted, the project has not been canceled," TMT International Observatory Board Member Michael Bolte said in an email to the Hawaii Tribune-Herald on Tuesday.

During the downtime, Bolte said TMT has been talking with community leaders to find a path where the parties can move forward together.

"That said, other areas of the project have been moving forward as planned as instruments and other technologies also take time to design, build and test," he said.

In India, workers are fabricating the telescope mirror support system, TMT said Tuesday. In China, partners are designing the telescope's fully articulated main science steering mirror system and developing the laser guide star system. In California, the primary mirror and mirror control system are in final design, while Japan has produced more than 60 special zero thermal-expansion glass mirror blanks for the main mirror and continues design of the massive telescope structure.

Bolte said that as a global partnership, the TMT enables collaboration between world-renowned scientists in the U.S., Canada, Japan, China and India.

"International teamwork today will enhance future science collaborations for the next generation," he wrote. "Each of the TMT partners has in-country expertise in different areas and they are bringing them to the project."

And for their contributions, Bolte said each will receive observation time on the massive, powerful telescope, slated to see first light in the 2020s.

In a release Tuesday, TMT announced that Canada had affirmed its commitment to the project by being voted in as a full member by the TMT International Observatory Board of Directors during its recent meeting.

"Canada is proud to be an official partner in this revolutionary facility that has the potential to transform our understanding of the universe," Canadian Minister of Industry James Moore said in a statement. "It is a testament to the leadership and expertise of our space industry that Canada will build the telescope's precision-steel enclosure and provide cutting-edge optics technologies. We look forward to working with our international partners in conducting ground-breaking space research."

Last month, Canadian Prime Minister Stephen Harper announced the country had finally committed its share of funds — \$243.5 million through 10 years — to help build the telescope. Canada joins California Institute of Technology, the University of California and the science institutions of China, India and Japan as partners project.

Grading and grubbing work at the 13,150-foot elevation project site has been postponed since 31 people were arrested on the mountain March 31 for blocking access to TMT construction workers en route to the summit.

Bolte said TMT has not yet determined a construction restart date.

In an announcement last month, Gov. David Ige said his administration would be working with the University of Hawaii, the Office of Hawaiian Affairs and the community to actively pursue several outcomes, including decommissioning and removing older

telescopes and facilities, reducing the level of activity on the summit, and integrating culture and science.

Jodi Leong, a spokeswoman for Ige, said there was no update on the progress of those discussions as of Tuesday, May 19.

Once complete, scientists say TMT will allow astronomers to observe fainter objects, including planets that orbit stars outside our own solar system, and distant stars that formed some 13 billion light years away.

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ABOUT EMPIRE INDUSTRIES

Empire Industries Ltd. is a manufacturer of specialized engineered products, which the Company sells in domestic and selected international markets. The Company's operations are conducted in three business sectors:

1. Media-Based Attractions;
2. Manufactured Products; and
3. Steel Fabrication Services.

Empire Industries also has two key equity partnerships:

1. A 49% interest in ACE Industrial Services, which operates in the oil sands industrial maintenance services market; and
2. A 45% interest in a Chinese steel fabrication joint venture, Dongguan Qigong Dynamic Steel Structures, Ltd., in the Asian steel fabrication market.

OUTLOOK

Empire's *Media-Based Attractions* sector is expected to continue to benefit from strength in the theme park attractions market, as indicated by the Company's recent contract awards in this area.

The *Manufactured Products* operations are currently being adversely affected by the significant impact that reduced oil prices are having on the western Canadian economy. This has resulted in a reduced order backlog and lower throughput and pricing for hydrovac trucks. To counter, measures are being taken to expand sales efforts into the USA.

The *Steel Fabrication* operations are expected to experience increased competition in Alberta, as a result of reduced capital spending in western Canada.

The Company continues to assess strategic growth initiatives in both its hydrovac operation and its fabricated steel supply chain in order to generate a higher return on its tangible and intangible assets that are deployed in these two businesses. On balance, we expect Empire Industries will achieve further growth in its operations over the rest of the year.

RECOMMENDATION AND TARGET PRICE

eResearch recommends the shares of Empire Industries as a Speculative Buy. The shares are currently trading at \$0.13. Our first Target Price is \$0.22, and our second is \$0.27.

eRESEARCH CORPORATION

eResearch Analysts on this Report:

Bill Campbell, B. Comm.; and Bob Weir, B.Sc., B.Comm, CFA

Analyst Affirmation: I, Bill Campbell, hereby state that, at the time of issuance of this research report, I do not own, directly or indirectly, shares of Empire Industries Ltd. I, Bob Weir, hereby state that, at the time of issuance of this research report, I do own shares of Empire Industries Ltd.

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