ADF Group Inc.

COMPLEX STEEL STRUCTURES
AND HEAVY STEEL BUILT-UPS
FOR THE NON-RESIDENTIAL
CONSTRUCTION INDUSTRY

QUARTERLY REPORT 1

Three-Month Period Ended April 30, 2011

ADF GROUP INC.
300 Henry-Bessemer
Terrebonne, Quebec
Canada J6Y 1T3

Tel. 450.965.1911
Toll free 1.800.263.7560
Fax 450.965.8558

infos@adfgroup.com
www.adfgroup.com

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MESSAGE TO SHAREHOLDERS

During the first quarter of fiscal 2012, ADF Group continued to achieve a performance in line with its expectations — notably by maintaining good profit margins and an excellent financial position — while pursuing its expansion project in Western Canada.

Before beginning the first-quarter review, we ask the reader to note that, for the first time, all financial information discussed in this Message to Shareholders, except where otherwise indicated, is presented in accordance with International Financial Reporting Standards (IFRS). A detailed description of ADF Group's transition to IFRS is provided in the Management's Report and accompanying notes to the condensed interim consolidated financial statements for the quarter ended April 30, 2011.

For the three-month period ended April 30, 2011, as expected, ADF's revenues were comparable to those for the same period of the previous year, and even posted a slight increase notwithstanding the appreciation of more than 5% in the Canadian dollar against the U.S. dollar between the two reporting periods. Revenues thus amounted to $13.2 million for the first quarter of the current fiscal year, compared with $13.6 million for the same quarter of last year. The gross margin as a percentage of revenues stood at 24%, versus the high of 29% achieved in the first quarter of the previous year. This change is primarily explained by the fact that the supply of steel accounted for a larger proportion of the revenue mix this year. However, it should be noted that the gross margin achieved during the first quarter of fiscal 2012 corresponds to the average margin posted by ADF over the last eight quarters. In addition, it remains well above the industry's average margins, which reflects the added value of our contracts in progress, our rigorous operating practices and the positive impact of our recent investments on the overall efficiency of our fabrication activities.

Income before interest, income taxes, depreciation and amortization (or EBITDA) amounted to $2.1 million, compared with $3.2 million the previous year. Notwithstanding the reversal of provisions and a gain on disposal of property, plant and equipment recognized in the first quarter of fiscal 2011, the gross margin for the first quarter ended April 30, 2011 would have been similar to those for the corresponding period a year ago. Notwithstanding these items, results for the first quarter of fiscal 2012 reflect efficient cost control and a profit margin that remains above the industry average.

ADF Group closed the first quarter of fiscal 2012 with a net income of $1.1 million or $0.03 per share, compared with a net income of $2 million or $0.06 per share in the same period last year. In addition to the items described above, this decline is attributable to the recognition of a lesser exchange gain than in the previous year, an increase in amortization expenses and a slightly higher tax rate.

We are satisfied with these results, which are in line with our forecasts and attest to the Corporation's ability to consistently outperform its industry — in a business environment that remains challenging in North America — and to maintain its profitability and self-financing capacity. In this regard, it should be noted that ADF Group's first-quarter operating activities provided cash flows of $5 million, contributing to further strengthen its financial position. As at April 30, 2011, our short-term available liquidities (cash, cash equivalents and short-term investments) thus reached $25 million, exceeding our total debt by $17.3 million. In fact, this solid financial position is one of the reasons that led the Corporation to pay shareholders a first semi-annual dividend of $0.01 per share on May 16, 2011.

Outlook

As at April 30, 2011, our order backlog stood at $62 million, extending over an execution period of 12 months. However, the order backlog at that date does not reflect all the revenues likely to be recognized in upcoming quarters as it only includes a portion of the contractual changes requested by clients over the past months in connection with our current mandates.

Based on our current order backlog and considering our development targets as well as a certain stability of the Canadian dollar, we expect ADF Group's revenues within the next few quarters to be comparable to, or up slightly over previous quarters.

In regard to business development, we expect Western Canada to offer the greatest opportunities within the short term, considering the increase in bidding activity we are currently witnessing in this region. We are therefore carrying on our plans to establish our local presence through a joint venture with a Manitoba-based partner. A joint venture in which ADF will hold a majority interest will be set up to that end. The goal of the new entity will be to build and operate an ultramodern fabrication plant that will enable us to serve all of Western Canada, in particular the energy and potash sectors and the public infrastructures segment, where significant investments are expected in the coming years.

Furthermore, it will provide us with greater access to the large American Midwest market. Scheduled to start up in the spring of 2013, the new fabrication plant will cover 100,000 square feet and be fitted out with cutting-edge equipment like that used in Terrebonne. With its projected fabrication capacity of 25,000 tons of steel annually, we estimate that its potential annual revenues could reach up to $100 million. Management estimates the total project costs at approximately $15 million.

Over the longer term, the regions in the Eastern and Midwest U.S., and especially New York City, remain natural and high-potential markets for ADF Group, where the Corporation is strongly positioned and enjoys an excellent reputation. A recently published specialty study states, among other things, that including the buildings erected last year and currently under construction, New York could integrate close to 30 million square feet of new office space within the current decade, which would generate the strongest activity in this niche of the non-residential construction market in North America.

Today, with an enhanced fabrication capacity, very healthy financial position and development projects well on their way, ADF Group is embarking on a new profitable growth phase, having all the resources in hand to achieve a solid performance once the economy is back on track.

/ Signed /

Jean Paschini
Chairman of the Board of Directors and Chief Executive Officer

Terrebonne, Quebec, June 14, 2011

The purpose of this management's discussion and analysis of the financial position and operating results ("MD&A") is to provide the reader with an overview of the changes in the financial position of ADF Group Inc. ("ADF" or the "Corporation") between January 31, 2011 and April 30, 2011. It also compares the operating results and cash flows for the three-month period ended April 30, 2011 to those of the same period the previous year. This MD&A covers all major events that occurred between February 1, 2011 and June 14, 2011, on which date ADF Group's Board of Directors approved the condensed interim consolidated financial statements, as well as the MD&A for the three-month period ended April 30, 2011.

This analysis should be read in conjunction with the unaudited consolidated financial statements for the period ended April 30, 2011, as well as the audited consolidated financial statements dated January 31, 2011. The consolidated financial statements and the comparative information have been prepared in accordance with International Financial Reporting Standard 1 "First-time Adoption of International Financial Reporting Standards" and with International Accounting Standard 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB) (see Section "International Financial Reporting Standards ("IFRS ")" hereinafter). The Corporation reports its results in Canadian dollars. All amounts in this MD&A are expressed in Canadian dollars, except where otherwise indicated.

FORWARD-LOOKING STATEMENTS

In order to provide shareholders and potential investors information regarding ADF, in particular Management's assessment of future plans and operations, certain statements in this MD&A are forward-looking statements subject to risks, uncertainties and other important factors that could cause the Corporation's actual performance to differ from those expressed in or implied by these forward-looking statements.

Such factors include, but are not limited to the impact of economic conditions in Canada and the United States; industry conditions including amendments in laws and regulations; increased competition; potential shortfall of qualified personnel or management; availability and fluctuations in commodity prices, foreign exchange or interest rate fluctuations; stock market volatility and the impact of accounting policies issued by Canadian, U.S. and international standard setters. Some of these factors are further discussed under Section "External Factors to Which the Corporation's Performance is Exposed" in this MD&A. It should be noted that the list of factors that may affect future growth, results and performance, provided in this MD&A, is not exhaustive. The reader should not place undue reliance on forward-looking statements.

The expectations expressed by the forward-looking statements are based on information available to the Corporation on the date such statements were made. However, there can be no assurance that such estimates will prove to be correct. All subsequent forward-looking statements made, whether written or verbally, by the Corporation or persons acting on its behalf, are expressly qualified in their entirety by the caveats referred above. Unless otherwise required by applicable securities legislations, the Corporation expressly disclaims any intention, and assumes no obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

From a blacksmith shop founded in 1956, ADF Group Inc. has become over the years a North American leader in the design and engineering of connections, fabrication and installation of complex steel superstructures, heavy steel built-ups, as well as miscellaneous and architectural metalwork. The Corporation's products and services are intended for the following five principal segments of the non-residential construction market: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes and nuclear facilities, as well as transport infrastructures. The Corporation operates a modern 58,530-square-metre (630,000-square-foot) fabrication plant in Canada and uses the latest technologies in its industry.

A pioneer in the development and implementation of innovative solutions, the Corporation is recognized for its engineering expertise, its project management, its important fabrication capacity and its skills in two specialized market niches: the fabrication of steel superstructures with a high level of architectural and geometric complexity, as well as projects subject to fast-track schedules. In addition, in December 2009, ADF obtained its certification for the nuclear system requirements in effect in America, which allowed the Corporation to add the fabrication of steel structures for the construction or refurbishment of nuclear power plants to its range of services.

Its commitment to deliver every project in accordance with the industry's highest quality standards constitutes a core aspect of the Corporation's mission.

ADF serves a diversified client base in the non-residential construction market:

- General construction contractors;
- Project owners;
- Engineering firms and project architects;
- Structural steel erectors; and
- Other steel structure fabricators.

EXCHANGE RATE

The Corporation is subject to foreign currency fluctuations from the translation of revenues, expenses, assets and liabilities of its foreign operations and from commercial transactions denominated in foreign currency. Average rates (considered a reasonable approximation to actual rates) are used to translate revenues (except for forward foreign exchange contracts) and expenses for the years mentioned, while closing rates translate assets and liabilities. During the quarter ended April 30, 2011, as well as during previous quarters, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

(CA$/US$)	Statements of Income and Comprehensive Income	Statement of Financial Position
First Quarter (April 30, 2010)	1.0281	1.0158
Second Quarter (July 31, 2010)	1.0409	1.0283
Third Quarter (October 31, 2010)	1.0313	1.0202
Fourth Quarter (January 31, 2011)	1.0052	1.0015
First Quarter (April 30, 2011)	**0.9741**	**0.9464**

As indicated above, the average value of the Canadian dollar in relation to the U.S. dollar increased by almost 5% from year to year ($1.0281/$0.9741). This exerted an adverse pressure on results. The closing rate has declined by $0.05 since January 31, 2011 ($1.0015/$0.9464), thus reducing the impact of the exchange rate on certain items in the Corporation’s Statement of Financial Position expressed in U.S. dollars.

CHANGES IN ACCOUNTING POLICIES

Effective February 1, 2011, ADF adopted International Financial Reporting Standards (IFRS) for financial reporting, and using February 1, 2010 as the transition date. The financial statements for the quarter ended April 30, 2011, including the corresponding comparative information, have been prepared in accordance with International Accounting Standard IFRS 1 "First-time Adoption of International Financial Reporting Standards", and with International Accounting Standard IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standard Board ("IASB"). Previously, the Corporation prepared its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") ("Canadian GAAP" or "Previous GAAP"). Unless otherwise noted, fiscal 2011 comparative information has been prepared in accordance with IFRS.

The adoption of IFRS has not had a significant impact on the Corporation’s operations, strategic decisions and cash flows. Further information on the IFRS impacts is provided in Section "International Financial Reporting Standards ("IFRS")" of this MD&A, including reconciliation between Canadian GAAP and IFRS net income, income before interest, taxes and amortization ("EBITDA") excluding foreign exchange gains or losses and other financial metrics.

NON-IFRS MEASURES

The financial information in this MD&A has been prepared in accordance with IFRS, with the exception of certain financial indicators that do not have standardized meaning as prescribed by IFRS and Canadian GAAP, and therefore are considered non-Canadian GAAP or non-IFRS. When such indicators are used, they are defined and the reader is informed. The Corporation uses the following non-IFRS indicators to measure its operating performance and the achievement of objectives (see Section "Non-GAAP Measures" of the MD&A for the fiscal year ended January 31, 2011 for the definition of the following indicators):

3-month periods ended April 30,	**2011**	2010
(In thousands of CA$, except for ratios and %)	**$**	$
Working capital	**38,359**	38,274
Current ratio	**3.42 :1**	4.82:1
Long-term debt to shareholders’ equity	**0.08 :1**	0.11:1
Total cash, cash equivalents and short-term investments, net of long-term debt, to shareholders’ equity	**0.19 :1**	0.10:1
Liabilities to shareholders’ equity	**0.23 :1**	0.20:1
EBITDA	**2,095**	3,199
EBITDA as a percentage of revenues	**15.8 %**	23.5%
Book value per share	**2.82**	2.71
Return on shareholders’ equity	**4.8%**	6.6% [1]

1. Since February 1, 2010 was ADF’s transition date to IFRS, the 2010 fiscal year’s results are prepared under Canadian GAAP and have not been restated.

EBITDA and EBITDA Margin

EBITDA shows the extent to which the Corporation generates profits from operations, without considering the following items:

— Financial revenues and finance charges;
— Income tax expenses;
— Foreign exchange gains or losses; and
— Amortization of property, plant and equipment and intangible assets.

Net income is reconciled with EBITDA in the table below:

3-month periods ended April 30,	2011	2010
(In thousands of CA$, except %)	$	$
Net income	**1,081**	1,981
Income tax expense	**923**	1,559
(Financial revenues) and finance charges	**(35)**	50
Amortization	**881**	776
Foreign exchange gains	**(755)**	(1,167)
EBITDA	**2,095**	3,199
– As a % of revenues	**15.8%**	23.5%

ANALYSIS OF OPERATING RESULTS FOR THE THREE-MONTH PERIOD ENDED APRIL 30, 2011

Revenues and Gross Margin

The trend in the first quarter of the 2012 fiscal year in the Corporation's markets was in line with the trend of the last quarters. In addition to new orders worth US$23 million announced on March 9, 2011, the Corporation continued to deliver the contracts that currently make up its order backlog according to its clients' high expectations. In this regard, the Corporation's revenues for the first quarter of the 2012 fiscal year were comparable to those of the corresponding quarter of the 2011 fiscal year.

3-month periods ended April 30,	2011	2010	Changes 2011/2010	
(In thousands of CA$, except %)	$	$	$	%
Revenues	**13,229**	13,641	(412)	(3.0)
Cost of goods sold	**10,123**	9,740	383	3.9
Gross margin	**3,106**	3,901	(795)	(20.4)
— As a % of revenues	**23.5%**	28.6%	—	(5.1)%

— **Revenues**

Revenues during the first quarters in the 2011 and 2012 fiscal years were comparable, despite the unfavourable impact of the 5% increase in the Canadian dollar in relation to the U.S. dollar. As mentioned in the MD&A for the fiscal year ended January 31, 2011, Management expected, and continues to expect, a relatively stable level of its revenues in the next quarters. It should be noted that the amount and mix of revenues recorded on ongoing contracts during a given period are calculated using the costs incurred.

In terms of economic dependency, almost all of the Corporation's revenues during the three-month period ended April 30, 2011, were realized with two clients, one of which having accounted for more than 10% of revenues. Although, the Corporation attempts to limit the concentration of its revenues, given the nature of its activities and market, its revenues are likely to remain concentrated among a restricted number of clients in upcoming quarters.

— **Gross Margin**

The gross margin decline, both in dollar value and as a percentage of revenues, during the quarter ended April 30, 2011, compared with the same period the previous year, is primarily due to the different mix of products delivered, and a higher level of raw material (mostly steel) purchases than in the previous year on ongoing projects, primarily the New York's Transportation Hub project. The type of fabrication carried out at the Terrebonne plant also unfavourably impacted the fixed cost absorption rate between the two periods, although to a lesser extent.

Increases or decreases in commodities (mainly steel) prices do not generally have a material impact on the gross margin since in some of the contracts in hand, the clients supply the steel to be transformed by ADF, whereas protection clauses with regard to price changes are usually included in contracts where ADF supplies the steel. In addition, the natural hedge attributable to the purchase of raw material in U.S. dollars mitigates the impact of the exchange rate.

Selling and Administrative Expenses

3-month periods ended April 30,	2011	2010	Changes 2011/2010	
(In thousands of CA$, except %)	$	$	$	%
Selling and administrative expenses	**1,892**	1,478	414	28.0
— As a % of revenues	**14.3%**	10.8%	—	3.5%

The $0.4 million increase in selling and administrative expenses during the first quarter of the 2012 fiscal year compared with the same period of the 2011 fiscal year is primarily due to the reversal of a provision for doubtful accounts and a gain on disposal of property, plant and equipment recorded in the first quarter ended April 30, 2010. The increase in selling and administrative expenses, as a percentage of revenues, is explained by the previously mentioned factors.

Amortization

3-month periods ended April 30,	2011	2010	Changes 2011/2010	
(In thousands of $, except %)	**$**	$	$	%
Amortization	**881**	776	105	13.5
— As a % of revenues	**6.7%**	5.7%	—	1.0%

Consistent with IFRS standards, amortization expense is now included in the cost of goods sold and selling and administrative expenses (see notes 10 and 11 to the condensed interim consolidated financial statements). However, Management considers appropriate to continue commenting the amortization expense level separately since it is considered a significant component in the analysis of the Corporation's gross margin.

The increase in amortization during the first quarter of the 2012 fiscal year compared with 2011 is primarily attributable to the commissioning of all the new production equipment acquired during previous quarters, and of intangible assets developed in-house. In addition, the Corporation changed the useful life of certain property, plant and equipment and intangible assets to better reflect their degree of use, which had the effect of increasing amortization expense by less than $0.1 million during the first quarter of the 2012 fiscal year (see Note 18 to the condensed interim consolidated financial statements).

Financial Revenues and Finance Charges

3-month periods ended April 30,	2011	2010	Changes 2011/2010	
(In thousands of $, except %)	**$**	$	$	%
Financial revenues	**(95)**	(22)	(73)	(331,8)
Finance charges	**60**	72	(12)	(16,7)
	(35)	50	(85)	(170)
— As a % of revenues	**—**	—	—	—

The favourable difference of $85,000 in net financial revenues posted during the first quarter of the 2012 fiscal year, compared with the same period a year ago, is mostly attributable to the increase in cash and cash equivalents.

It should be noted that on May 1, 2010, an interest rate swap covering 25% of the principal debt's balance was implemented in order to allow the Corporation to partially protect itself against fluctuations in interest rates. This derivative financial instrument is classified as held for trading and measured at its fair value at the end of every quarter; since it is not designated as part of an effective hedging relationship, hedge accounting is not applied.

Taking into account this interest rate swap, the Corporation estimates that a 1% fluctuation in the long-term debt's effective interest rate would have an impact of about $0.1 million on income before income taxes on an annual basis. However, as long as the Corporation's cash and cash equivalents, including short-term investments, exceed the long-term debt, as is currently the case, the adverse impact of a possible increase in interest rates on the debt service will be partially offset by the favourable impact of such an increase on the Corporation's financial revenues.

Foreign Exchange Gain

3-month periods ended April 30,	2011	2010	Changes 2011/2010	
(In thousands of $, except %)	**$**	$	$	%
Foreign exchange gain	**(755)**	(1,167)	412	35.3
— As a % of revenues	**(5.7)%**	(8.6)%	—	2.9%

The foreign exchange gain recorded in the three-month period ended April 30, 2011, includes a $0.2 million foreign exchange loss on ongoing operations (a foreign exchange gain of $0.2 million for the same quarter ended April 30, 2010) and a $1.0 million realized and unrealized foreign exchange gain ($1.0 million for the same quarter ended April 30, 2010) on forward foreign exchange contracts. Consistent with the new IFRS standards, the $1.5 million foreign exchange loss ($0.8 million for the same quarter in 2010) on the translation of foreign subsidiaries during the first three months of the 2011 and 2012 fiscal years is now recorded in comprehensive income.

The Corporation concluded forward exchange contracts during the three-month period ended April 30, 2011, and has committed to sell during that same period US$3.0 million at an average rate of CA$0.97 for US$1.00 and US$3.0 million at an average rate of CA$0.98 for US$1.00. These forward exchange contracts mature as follows: US$1.5 million in July 2011, US$1.5 million in October 2011, US$1.5 million in January 2012 and US$1.5 million in April 2012.

In addition, each new forward exchange contract includes an option on currency, of equal value, in favour of the issuing financial institution that can exercise it, at will, for the indicated value if the rate, at maturity date, is higher than the prescribed rate of $0.97 or $0.98, as the case may be. If the rate is below $0.97 or $0.98 at maturity date, the option will become obsolete.

On April 30, 2011, the unmatured forward foreign exchange contracts amounting to US$15 million, posted a favourable fair value position of $1.1 million, representing an average rate of CA$1.0193 for US$1.00, compared with a favourable fair value position of $0.7 million on January 31, 2011, on forward foreign exchange contracts (US$16.5 million at an average rate of CA$1.0502 for US$1.00), which were unmatured at that date.

As in preceding periods, the Corporation has continued with its hedge policy. As previously mentioned these derivative financial instruments are classified as held for trading and measured at their fair value at the end of every quarter; since they are not designated as part of an effective hedging relationship, hedge accounting is not applied.

The Corporation's principal foreign exchange risk lies in the fact that its revenues are mainly denominated in U.S. dollars while its expenses, other than the raw material (steel), are mostly denominated in Canadian dollars.

As shown in the following table, taking into account these forward foreign exchange contracts of US$15 million and the US$17.5 million net change position between the assets and liabilities denominated in U.S. dollars, ADF had a net foreign exchange position of US$19.4 million on April 30, 2011.

As at April 30, 2011, assets and liabilities denominated in U.S. dollars included the following amounts:

(In thousands of $)	US$	CA$
Cash and cash equivalents	**18,894**	**17,881**
Accounts receivable	**22,943**	**21,713**
Holdbacks on contracts receivable	**3,719**	**3,519**
Work in progress	**568**	**538**
Deferred income tax assets	**5,728**	**5,421**
Other assets	**76**	**72**
	51,928	**49,144**
Accounts payable and other current liabilities	**(1,301)**	**(1,231)**
Deferred revenues	**(8,470)**	**(8,016)**
Long-term debt	**(7,755)**	**(7,339)**
	(17,526)	**(16,586)**
Net currency risk related to items in the statement of financial position	**34,402**	**32,558**
Forward foreign exchange contracts	**(15,000)**	**(15,290)**
Net foreign exchange position	**19,402**	**17,268**

Thus, taking into account this net foreign exchange position, a 10% strengthening of the Canadian dollar over the U.S. currency would result in a $3.3 million decrease in income before income taxes, while a reduction of the same percentage would increase the income before income taxes by $2.9 million. However, this information does not take into account the impact of foreign exchange fluctuations on revenues and other miscellaneous expenses for a complete fiscal year.

Income Tax Expense

3-month periods ended April 30,	**2011**	2010	Changes 2011/2010	
(In thousands of $, except %)	**$**	$	$	%
Income tax expense	**923**	1,559	(636)	(40.8)
— As a % of revenues	**7.0%**	11.4%	—	(4.4)%

For the first quarter of the 2012 fiscal year, the income tax expense represented an effective tax rate of 46%, compared with 44% for the corresponding period of the 2011 fiscal year. The difference between these rates and the Corporation's effective Canadian rate (30%) stems from the fact that most of ADF's revenues were generated by a U.S. subsidiary, which uses a higher tax rate than in Canada. However, it should be noted that currently the tax expense has no material impact on the Corporation's cash outflows. Given the available tax attributes, a $0.4 million tax expense represented the sole outflow for the three-month period ended April 30, 2011 (outflow of $0.2 million in the previous year).

A balance of $7.9 million relating to tax attributes remained available as at April 30, 2011. This will have a favourable impact on the Corporation's future cash outflows, which will not have to pay future income taxes until the full amount of available tax attributes has been used in the different jurisdictions where the Corporation executes contracts. Once these future income tax assets are fully used in each of the jurisdictions, the Corporation will be required to resume paying income taxes.

Net Earnings, Basic and Diluted Earnings Per Share

3-month periods ended April 30,	**2011**	2010
(In thousands of $, except per-share amounts and %)	**$**	$
Total net income	**1,081**	1,981
— As a % of revenues	**8.2%**	14.5%
Total basic earnings per share	**0.03**	0.06
Total diluted earnings per share	**0.03**	0.06

The reduction in net income during the first quarter of the 2012 fiscal year compared with the corresponding period in 2011 is explained by the reasons previously disclosed in this section.

COMPARATIVE INFORMATION FOR THE LAST EIGHT QUARTERS

Fiscal years ending January 31,	2012	2011				2010		
	Q1 2011.04.30	Q4 2011.01.31	Q3 2010.10.31	Q2 2010.07.31	Q1 2010.04.30	Q4 [3] 2010.01.31	Q3 [3] 2009.10.31	Q2 [3] 2009.07.31
(In thousands of $, except per-share amounts and %)	**$**	$	$	$	$	$	$	$
Revenues	**13,229**	14,973	13,687	12,967	13,641	14,471	15,769	18,748
Gross margin [1]	**3,106**	4,411	2,756	3,068	3,901	4,751	3,932	4,586
— As a % of revenues	**23%**	29%	20%	24%	29%	33%	25%	24%
EBITDA [2]	**2,095**	3,126	2,041	2,556	3,199	3,223	3,276	3,581
— As a % of revenues	**16%**	21%	15%	20%	23%	22%	21%	19%
Income before income taxes	**2,004**	2,884	1,989	1,512	3,540	2,881	2,674	3,732
— As a % of revenues	**15%**	19%	15%	12%	26%	20%	17%	20%
Net income	**1,081**	1,674	903	833	1,981	1,527	1,380	1,845
— Basic per share	**0.03**	0.05	0.03	0.02	0.06	0.04	0.04	0.05
— Diluted per share	**0.03**	0.05	0.03	0.02	0.06	0.04	0.04	0.05

1. Gross margin, excluding foreign exchange variation.
2. See Section "Non-IFRS Measures" hereinabove, for the definition of EBITDA.
3. Since February 1, 2010 was ADF's transition date to IFRS, the 2010 fiscal year's results are prepared under Canadian GAAP and have not been restated. The 2011 and 2012 fiscal years' results are prepared under IFRS standards.

CASH FLOWS AND FINANCIAL POSITION

The Corporation posts a sound financial position and is on a solid footing to address its financial needs. Taking into account its favourable cash and cash equivalents position, its unused short-term credit facility of $10 million and the level of planned capital spending, the Corporation does not expect any liquidity risk in a foreseeable future. It should be noted that the Corporation can also issue letters of credit of up to $10 million. On April 30, 2011, the Corporation had $24.9 million in cash, cash equivalents and short-term investments, up by $3.5 million compared with January 31, 2011. Management believes that these available funds are sufficient to support the execution of its order backlog in hand on April 30, 2011, and to meet its financial commitments for the 2012 fiscal year.

Furthermore, the Corporation continually appraises the opportunities to use part of its liquidities to finance certain projects that could provide additional long-term competitive advantages and allow it to benefit from accelerated payments discounts negotiated with suppliers.

Operating Activities

During the first quarters of the 2012 and 2011 fiscal years cash flows generated by the Corporation's operating activities were as follows:

3-month periods ended April 30,	**2011**	2010
(In thousands of $)	**$**	$
Net income adjusted for non-cash items	**2,439**	3,495
Changes in non-cash working capital items		
Accounts receivable	**(749)**	(5,051)
Deferred revenues	**3,435**	501
Work in progress	**(166)**	(212)
Accounts payable and other current liabilities	**233**	754
Income tax	**(12)**	415
Other	**220**	492
	5,400	394
Income tax expense paid	**(368)**	(191)
Cash flows from (used in) operating activities	**5,032**	203

The $1.0 million reduction in net income adjusted for non-cash items during the first quarter of the 2012 fiscal year compared with 2011 stems from the decrease in net income and income tax expense, net of the increase in amortization of property, plant and equipment and the change in the fair value of derivative financial instruments.

During the first quarter of the 2012 fiscal year, changes in non-cash working capital items generated cash flows of $3.0 million due, for the most part, to a $3.4 million increase in deferred revenues attributable to fabrication and billing schedules. During the first quarter of the 2011 fiscal year, the increase in accounts receivable, net of the increase in accounts payable and other current liabilities resulted from a $3.1 million outflow in cash flows from operating activities.

Investing Activities

The Corporation's investing activities are summarized as follows:

3-month periods ended April 30,	2011	2010
(In thousands of $)	$	$
Acquisition of short-term investments	**(2,905)**	(131)
Acquisition of property, plant and equipment	**(29)**	(1,649)
Acquisition of intangible assets	**(88)**	(120)
Reduction in other non-current assets	**1**	3
Interest received	**77**	94
Cash flows from (used in) investing activities	**(2,944)**	(1,803)

During the first quarter of the 2012 fiscal year, the Corporation used $2.9 million in liquidities mostly for its short-term investments, while the investing activities during the same period a year earlier required liquidities of $1.8 million for acquisition of property, plant and equipment and other assets. During the quarter ended April 30, 2010, acquisition of property, plant and equipment totalled $1.6 million, mostly to fit out an existing fabrication bay, whereas the increase in intangible assets, for the two comparative periods, stems primarily from the rollout of production and financial software. The Corporation estimates capital expenditures for fiscal 2012 at no more than $2.0 million.

Financing Activities

The Corporation's financing activities were as follows:

3-month periods ended April 30,	2011	2010
(In thousands of $)	$	$
Issuance of long-term debt	**—**	4,370
Repayment of long-term debt	**(600)**	(411)
Issuance of subordinate voting shares	**—**	162
Redemption of subordinate voting shares	**—**	(150)
Interest paid on interest rate swap	**(9)**	—
Interest paid	**(53)**	(61)
Cash flows from (used in) financing activities	**(662)**	3,910

The Corporation did not issue subordinate voting shares under its stock option plan (228,000 shares in the first three months of the 2011 fiscal year, for a cash consideration of $162,000). As of this date, the Corporation did not renew its normal course issuer bid (NCIB) program, which ended in April 2011. The Corporation did not redeem subordinate voting shares under this NCIB program during the quarter ended April 30, 2011, but redeemed 62,100 shares for a cash consideration of $150,000 during the corresponding quarter of the previous year.

In order to finance the acquisition of equipment and complete the fitting out of some areas of its fabrication complex, the Corporation contracted additional financing of US$4.2 million (CA$4.4 million) during the first quarter of the 2011 fiscal year.

Payment of Rent and Interest and Payment of Principal on Debt

The Corporation pays interest on one of its four long-term loans. The interest rate on this loan was 2.25% as of April 30, 2011. Since March 1, 2008, the Corporation has been making monthly principal repayments of US$0.2 million on one loan. The principal repayments on the largest of the other loans, in the amount of $31,000 bi-annually, began in May 2009. Other rent payments, in immaterial amounts, are described under Note 17 to the consolidated financial statements for the fiscal year ended January 31, 2011.

Debt Covenants

As of April 30, 2011, the Corporation respected all covenants with its lenders, and still did at the date hereof. Management expects it will continue to respect its commitments during the next 12 months.

Commitments Related to Letters of Credit as at April 30, 2011

As at April 30, 2011, the Corporation contracted letters of credit of US$0.5 million.

Capital Stock and Stock Option Plans

Information on the outstanding shares, including stock options:

	Subordinate Voting Shares		Multiple Voting Shares [1]		Total Outstanding Shares		Stock Options [2]
(In thousands of $, except number of shares and options)	Number	$	Number	$	Number	$	Number
As at January 31, 2010 and February 1, 2010	20,122,605	59,435	14,343,107	16,001	34,465,712	75,436	1,591,064
Issued on exercise of stock options	249,200	277	—	—	249,200	277	(249,200)
Granted	—	—	—	—	—	—	50,000
Cancelled	—	—	—	—	—	—	(10,000)
Share redemption	(1,940,000)	(5,681)	—	—	(1,940,000)	(5,681)	—
As at January 31, 2011 and April 30, 2011	**18,431,805**	**54,031**	**14,343,107**	**16,001**	**32,774,912**	**70,032**	**1,381,864**
Issued on exercise of stock options	5 000	6	—	—	5 000	6	(5 000)
As at June 14, 2011	**18,436,805**	**54,037**	**14,343,107**	**16,001**	**32,779,912**	**70,038**	**1,376,864**

1. These shares carry 10 votes per share.
2. The weighted average exercise price of the current stock options is $1.39 per unit.

As at April 30, 2011, the Corporation had 32,774,912 shares outstanding (same on January 31, 2011). During the three-month period ended April 30, 2011, the Corporation did not issue subordinate voting shares or stock options.

During the first quarter of the 2011 fiscal year, the Corporation issued, under its stock option plan, 228,000 subordinate voting shares at a weighted average price of $1.11 per share for a total cash consideration of $0.3 million.

On April 30, 2011, a total of 1,381,864 stock options were issued and outstanding. These options, which had a weighted average life of 5.14 years before maturity, had a weighted average exercise price of $1.39 (see Note 7 to the condensed interim consolidated financial statements).

DIVIDEND

On April 13, 2011, the Corporation's Board of Directors approved a dividend policy, paid semi-annually. At that same date, the Board of Directors also approved the first semi-annual dividend of $0.01 per subordinate voting share (totalling $328,000), which was paid on May 16, 2011 to shareholders of record on April 29, 2011.

FINANCIAL POSITION

The following table provides details on the major changes that impacted the Consolidated Statement of Financial Position between January 31, 2011 and April 30, 2011.

Section	Change	Explanatory Note
	(In millions of $)	
Cash, cash equivalents and short-term investments	**3.5**	For further information, see "Cash Flows and Financial Position" hereinabove in this MD&A.
Accounts receivable	**(0.5)**	The net amount (invoicing less collection) of accounts receivable stood at $21.7 million, a $0.5 million decrease since the beginning of the 2012 fiscal year. As previously explained, most projects currently underway are of a governmental nature, which tends to increase the average collection period of contracts receivable. However, it is important to point out that these governmental contracts, by their nature, reduce the Corporation's collection risk.
Property, plant and equipment and intangible assets	**(0.8)**	The change is attributable to the acquisition of property, plant and equipment and intangible assets in the amount of $0.1 million, net of amortization of $0.9 million.
Deferred income tax assets	**(1.3)**	The decrease stems from the use of tax attributes.
Deferred revenues	**3.0**	The increase results from the difference between the percentage of completion and clients' billing.

Section	Change	Explanatory Note
	(In millions of $)	
Long-term debt (including current portion)	**(1.0)**	The change is attributable to monthly repayment on debts of $0.6 million and exchange rate for the U.S. dollar for the translation of debts denominated in U.S. dollars in the amount of $0.4 million.
Accumulated other comprehensive income	**(1.5)**	The increase represents the exchange differences on translation of the Corporation's foreign operations during the three-monht period ended April 30, 2011.

ISSUES RELATING TO THE CURRENT ECONOMIC ENVIRONMENT

Although Management is witnessing a slight improvement of conditions in its principal markets, there is still some uncertainty about the economic context. In uncertain times, the Corporation is faced with the following challenges:

— Its business segment is strongly dependent on project owners' capacity to finance their projects. For lack of financing, certain projects can be delayed or simply abandoned. Although the Corporation strives to mitigate this risk by focusing its marketing efforts on projects whose financing is most likely to materialize, it has no control over financial market trends; and

— Certain project owners who secured financing on the start-up of projects could be forced to cease the work pursuant to the withdrawal of financing, due to a lack of capital of either the project lender or the owner. The Corporation mitigates this risk by ensuring that amounts due are diligently collected and, when possible, maintain at all times a positive cash flow for every project. Moreover, the Corporation does business with owners who are financially solid. At the date hereof, no project of the Corporation is subject to such constraints.

Over the last few quarters, the Corporation's results have been affected by the economic slowdown, primarily at the revenue level. In addition, the strengthening of the Canadian dollar in relation to the U.S. dollar has exerted and will most probably continue to exert pressure on the Corporation's results. Management focuses its efforts on the productivity of its fabrication activities and uses a hedging strategy by means of forward foreign exchange contracts in order to mitigate the impact of currency fluctuations.

From a financing point of view, the Corporation has a solid financial position and currently respects all its financial covenants. It expects it will continue to do so during the next 12 months. Capital expenditures are subject to very close monitoring by Management. The Corporation does not anticipate any liquidity problems, in particular since its credit facility is issued by a Canadian chartered bank with a solid credit rating, and the Corporation's major clients are leaders in their respective fields. Based on the foregoing, the Corporation maintains its short-term prospects (see Section "Outlook" hereinafter), and does not currently foresee any short-term elements that could compromise its course of business.

That being said, and considering that the Corporation does not enjoy all the visibility from which it normally benefits in its markets, it will nonetheless continue to exercise caution and will closely monitor the situation (see Sections "External Factors to Which the Corporation's Performance is Exposed" and "Outlook" hereinafter).

EXTERNAL FACTORS TO WHICH THE CORPORATION'S PERFORMANCE IS EXPOSED

Exchange Rate

Exchange rate fluctuations between the Canadian and U.S. dollars have an impact on the Corporation's results. Thus, a $0.8 million exchange gain was recorded for the three-month period ended April 30, 2011, compared with a $1.2 million exchange gain for the corresponding period the previous year.

In order to minimize the impact of exchange rate fluctuations on its results, the Corporation implemented the following protective measures:

— The conversion, in November 2007, of a significant portion of the long-term debt denominated in Canadian dollars ($11.6 million) into U.S. dollars (US$12.4 million). At the time of conversion, the rate used was CA$0.9364 for US$1.00. This measure was maintained following the increase in long-term debt in February 2010;

— When advantageous, the raw material (steel) and welding products required for fabrication are purchased in U.S. dollars; and

— Implementation of a foreign exchange policy to protect a portion of the net exchange risk between cash inflows and outflows denominated in U.S. dollars.

The Corporation's Operating Risks and Uncertainties

ADF's markets are subject to several risk and uncertainty factors, which could have an impact on its business, financial position and operating results. These risks include (but not limited to), the following factors, which are further detailed in the MD&A for the fiscal year ended January 31, 2011:

— Indemnity agreement;
— Uncertainties relating to the world economy;
— Bonding capacity and irrevocable letters of credit; and
— Operational risks and uncertainties that could have an impact on the Corporation's financial position and operating results.

FINANCIAL INSTRUMENTS

A significant number of items in the Corporation's Statement of Financial Position include financial instruments. The Corporation's financial assets consist of cash, cash equivalents, short-term investments, accounts receivable, holdbacks on contracts receivable, equity investments, as well as derivative financial instruments, whose fair market value is positive. Financial liabilities include accounts payable and other current liabilities, long-term debt and derivative financial instruments, whose fair market value is negative. As at April 30, 2011, the carrying amount of these financial instruments did not significantly differ from the fair market value, either because of their forthcoming maturity date (in the case of cash, cash equivalents, short-term investments, accounts receivable, holdbacks on contracts receivable, accounts payable and other current liabilities), or because the Corporation believed it could obtain similar conditions and schedules (in the case of the long-term debt). See Note 2 "Summary of Significant Accounting Policies and Adoption of IFRS" to the Corporation's condensed interim consolidated financial statements as at April 30, 2011.

Derivative financial instruments are typically used to manage the Corporation's foreign exchange and interest rate risk exposure. They are mostly comprised of forward foreign exchange contracts and an interest rate swap.

The Corporation is mostly exposed to credit, liquidity and market risks, including exchange rate and interest rate risks, when using financial instruments. A description of how the Corporation manages these risks is included hereinabove in this MD&A, as well as in Note 22 to the Corporation's consolidated financial statements for the fiscal year ended January 31, 2011.

EVALUATION OF THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICOFR) as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the Chief Executive Officer and the Chief Financial Officer by others and that information required to be disclosed by the Corporation in its annual and interim filings or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Chief Executive Officer and the Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the interim filings that the Corporation's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer is made known to them by others within the Corporation.

The Chief Executive Officer and the Chief Financial Officer have assessed the effectiveness of ICOFR as at April 30, 2011, and they have concluded that the Corporation's internal control over financial reporting was effective at that date. During the quarter ended April 30, 2011, there were no changes to the Corporation's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its ICOFR.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Corporation's condensed interim consolidated financial statements dated April 30, 2011, have been prepared in accordance with the International Accounting Standard IFRS 1 "First-time Adoption of International Financial Reporting Standards" and with International Accounting Standard IAS 34 "Interim Financial Reporting" as issued by the IASB. Previously, the Corporation prepared its interim and annual consolidated financial statements in accordance with Canadian GAAP (hereinafter referred to as "previous GAAP"). The adoption of IFRS has not had a significant impact on the Corporation's operations, strategic decisions, cash flows and capital expenditures.

ADF's accounting policies under IFRS are disclosed in Note 2 to the condensed interim consolidated financial statements. In addition, Note 18 to the condensed interim consolidated financial statements presents reconciliations between the Corporation's 2011 previous GAAP financial statements for the concerned periods and the 2011 IFRS financial statements for these same periods. Reconciliations include the Corporation's consolidated Statements of Financial Position as at February 1, 2010, April 30, 2010 and January 31, 2011, and Consolidated Financial Statements of Income and Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the quarter ended April 30, 2010 and for the twelve-month period ended January 31, 2011.

For a better understanding of the condensed interim consolidated financial statements and the impact of this transition to IFRS, Management wishes to provide the major differences between the ADF's 2011 previous GAAP net income and 2011 IFRS net income, along with an analysis of the significant IFRS accounting policy changes.

Summary Net Income, EBITDA [1] and Certain Financial Ratios [1] Reconciliations

	2011 Fiscal Year				
	Annual	Q4	Q3	Q2	Q1
	12 months ended 2011.01.31	3 months ended 2011.01.31	3 months ended 2010.10.31	3 months ended 2010.07.31	3 months ended 2010.04.30
(In thousands of $)	$	$	$	$	$
Net Income					
Previous GAAP	3,743	1,037	630	878	1,198
Impact of IFRS standards, after income taxes					
— Exchange differences on translation of foreign operations	1,623	639	308	(70)	746
— Share-based compensation	51	4	(28)	31	44
— Amortization of property, plant and equipment and intangible assets	(26)	(6)	(7)	(6)	(7)
	1,648	637	273	(45)	783
IFRS	5,391	1,674	903	833	1,981
Gross Margin					
Previous GAAP	17,072	5,146	3,495	3,850	4,581
Impact of IFRS standards :					
— Reclassification of amortization of property, plant and equipment and intangible assets	(2,936)	(735)	(739)	(782)	(680)
IFRS	14,136	4,411	2,756	3,068	3,901
Gross Margin (as a % of revenues)					
Previous GAAP	31%	34%	26%	30%	34%
IFRS	26%	29%	20%	24%	29%
EBITDA[1]					
Previous GAAP	10,871	3,122	2,069	2,525	3,155
Impact of IFRS standards :					
— Share-based compensation	51	4	(28)	31	44
IFRS	10,922	3,126	2,041	2,556	3,199

As at	Jan. 31, 2011	Oct. 31, 2010	Jul. 31, 2010	Apr. 30, 2010
Current Ratio [1]				
Previous GAAP	4.17 :1	3.45 :1	4.15 :1	5.15 :1
IFRS	3.81 :1	3.24 :1	3.86 :1	4.82 :1
Long-Term Debt Over Shareholders' Equity [1]				
Previous GAAP	0.10 :1	0.11 :1	0.11 :1	0.12 :1
IFRS	0.09 :1	0.10 :1	0.11 :1	0.11 :1
Liabilities to Shareholders' Equity [1]				
Previous GAAP	0.22 :1	0.27 :1	0.23 :1	0.21 :1
IFRS	0.21 :1	0.25 :1	0.22 :1	0.20 :1
Return on Shareholders' Equity [1]				
Previous GAAP	4.2 %	4.8 %	5.7 %	6.6 %
IFRS	5.8 %	Not available [2]	Not available [2]	Not available [2]

1. See Section "Non-IFRS Measures" for the definition of EBITDA, current ratio, long-term debt over shareholders' equity, liabilities over shareholders' equity and return on shareholders' equity.
2. Since the date of transition to IFRS was February 1, 2010, the financial data prior to this date has not been restated and consequently the shareholders' equity, which is based on the net income for the last 12 months, was not computed.

Changes to Accounting Policies and Election in Accordance with IFRS 1

The following table explains the significant differences between ADF's previous GAAP accounting policies and those applied by the Corporation under IFRS. IFRS standards have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters. As discussed in the MD&A dated January 31, 2011, the most significant changes between previous GAAP and IFRS relate to the following:

Accounting Policies	Differences Between IFRS and Previous GAAP		Findings [1]
	IFRS	*Previous GAAP*	
Property, Plant and Equipment	Following their initial recognition, the Corporation may use the cost model or the revaluation model to account for its property, plant and equipment.	The revaluation model is not permitted.	To avoid changes in the fair value of property, plant and equipment in the Statement of Financial Position and the corresponding impacts on the Statement of Income and Comprehensive Income, the Corporation choose to continue using the cost model.
	Property, plant and equipment items must be depreciated by component and each component must be depreciated over its useful life.	Component identification rules are less stringent.	Given the information collated, this difference between GAAP and IFRS did not have an impact on the Corporation's financial statements.
Property, Plant and Equipment and Intangible Assets	Three depreciation methods are allowed under IFRS, namely the straight-line method, the declining balance method and the units of production method. IAS 16 is more explanatory with regard to which depreciation method should be used and that best reflects the expected consumption pattern.	The depreciation methods are basically the same under IFRS. They provide a rational and structured base for the allotment of the amortizable amount.	These differences did not have an impact.
Impairment of Assets	IAS 36 "Impairment of Assets" uses a one-step approach to identify asset impairments, with asset carrying values being compared to the higher of value in use (determined using discounted future cash flows) or fair value less cost of sale. Moreover, according to this standard, previous impairment losses may be reversed under certain circumstances.	Requires a two-step approach for impairment tests. The first step consists in comparing the carrying values of assets and undiscounted future cash flows to assess whether there is an indication of impairment. The second step consists in measuring any impairment by comparing the carrying values of assets to their fair values. Under GAAP, previously recognized impairment values cannot be reversed.	This difference in methods might result in the impairment of assets for which the carrying values were previously supported by undiscounted cash flows under GAAP, but which may not be on a discounted cash flow basis. The Corporation recorded such depreciation during fiscal 2004. In accordance with IFRS, since the facts and circumstances leading to this impairment no longer exist at the date of transition, it is no longer required. Therefore, a favourable adjustment of $0.7 million, net of taxes, was therefore recorded in the Corporation's shareholders' equity in the opening Consolidated Statement of Financial Position as at February 1, 2010. This adjustment will also increase the amortization expense in future fiscal years, but not materially.

Accounting Policies	Differences Between IFRS and Previous GAAP		Findings [1]
	IFRS	*Previous GAAP*	
Share-Based Payments	When stock option awards vest gradually, each tranche is to be considered as a separate award.	The gradually vested tranches could be considered as a single award.	The compensation expense is recognized over the expected term of each vested tranche. A negative adjustment of $0.4 million was recorded in retained income in the February 1, 2010 opening Consolidated Statement of Financial Position, which represents the additional cumulative expense, including the impact of not applying the exemption allowed under IFRS 1. (See "Shared-Based Payments" in the next table.) The impact on the annual financial statements is immaterial.
Effects of Changes in Foreign Exchange Rates	Under IFRS, the foreign operation cannot be classified as an integrated or self-sustaining foreign operation. The entity must measure its own functional currency and financial position and its results in that currency. The currency, which is determined by the primary economic environment in which the entity operates, must be assessed by taking into account three key indicators, two soft indicators and four complementary indicators should the entity be a foreign operation.	Under GAAP, the classification between an integrated and self-sustaining foreign operation is based on the professional judgment of the foreign operations' specific economic facts and circumstances.	The functional currency of each entity included in ADF Group's financial statements was assessed using the indicators specified under IFRS. Following these analyses, the Corporation concluded that the functional currency of its U.S. operations was the U.S. dollar. This had an impact on the conversion rates, which is now used to convert each entity's operations. In addition, in light of this change, the exchange gains or losses resulting from the translation of its foreign operations is accounted for in the Statement of Comprehensive Income, rather than in the net income itself.

1. Following the transition from previous GAAP to IFRS, the previously mentioned impacts could change as a result of amendments to international standards currently being developed, or in accordance with new information or other internal or external factors, which could arise, and that are applied in the audited consolidated financial statements for the year ending January 31, 2012, could result in the restatement of these condensed interim consolidated financial statements included in this report, including transitional adjustments recognized at the time of changeover to IFRS.

As previously discussed, IFRS 1 generally requires new adopters to apply IFRS retrospectively to all the periods reported in their first IFRS financial statements. As a first-time adopter, ADF Group must apply IFRS 1, which however provides for a certain number of elective exemptions to full retrospective application that the Corporation is currently assessing. The major elective exemptions chosen are presented in the following table:

Elective Exemptions	Findings
Business Combinations	This exemption allows an entity not to restate retrospectively the business combinations that occurred before the IFRS transition date. ADF Group elected not to restate retrospectively business combinations that occurred before February 1, 2010.
Share-Based Payments	This exemption allows an entity not to restate all the share-based payments granted after November 7, 2002, but only those not vested at the date of transition. The Corporation elected not to apply this exemption and restated all of the shareholders' equity instruments granted. As previously mentioned, pursuant to this restatement, a negative adjustment of $0.4 million was recorded in shareholders' equity in the opening Statement of Financial Position as at February 1, 2010.

Elective Exemptions	Findings
Fair Value as Deemed Cost	On the transition date, IFRS 1 allows an entity to measure each property, plant and equipment item at fair value and designate this fair value as its deemed cost. An entity can also elect to keep the balances previously determined under GAAP and, if necessary, retroactively recalculate the original cost and amortization in accordance with the requirements of IAS 16 "Property, Plant and Equipment". ADF Group will continue to use the cost method for this property, plant and equipment, and not restate them at fair value under the allowable IFRS 1 exemptions, with the exception of land which is measured at fair value at the transition date. This reappraisal increased the land value by $3.7 million, and is reflected in shareholders' equity in the opening Statement of Financial Position, net of related taxes ($0.5 million) as at February 1, 2010.
An Agreement Includes a Lease Agreement	IFRS 1 allows an entity to determine whether or not an existing agreement, at the IFRS transition date, includes a lease agreement based on the facts and circumstances that prevailed at that date. If such agreement contains a lease agreement at the transition date, the Corporation will consider this agreement at that date, rather than retrospectively. This decision did not have a monetary impact on Corporation's opening balances.
Borrowing Cost	In accordance with IFRS 1, the Corporation elected to apply IAS 23 "Borrowing Cost" retrospectively from February 1, 2010. Consequently, the accounting treatment for borrowing costs incurred prior to February 1, 2010 was not adjusted.
Cumulative Translation Differences	Retrospective application of IFRS would have required the Corporation to determine the amount of cumulative exchange differences on translation of foreign operations in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", from the date at which a subsidiary or an entity subject to significant influence was formed or acquired. IFRS 1 allows cumulative exchange differences on translation of foreign operations for all foreign operations to be deemed zero at the date of transition to IFRS. ADF Group elected to reset to zero all translation gains and losses in the retained income opening balance at the transition date.

It should be noted that as part of the transition to IFRS, ADF Group also reviewed the contractual implications of the new standards on its existing financing arrangements and similar obligations (see Note 2, "Summary of Significant Accounting Policies and Adoption to IFRS" to the condensed interim consolidated financial statements for the period ended April 30, 2011). The Corporation also reviewed the impacts on information technology and financial reporting, as well as on internal controls, and no significant changes was required following this transition.

RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

Prior to Quarter-End Pronouncement

— **IFRS 9 "Financial Instruments"**

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through income. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through income or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in income to the extent not clearly representing a return on investment, are recognized in income; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, "Financial Instruments – Recognition and Measurement", except that fair value changes due to credit risk for liabilities designated at fair value through income would generally be recorded in other comprehensive income.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

— **IAS 12 "Income Taxes"**

The IASB issued on December 20, 2010 an amendment to IAS 12 "Income taxes" related to the recovery of underlying assets. It addresses Deferred Tax: Recovery of Underlying Assets. The amendments provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 "Investment Property". For the purposes of measuring deferred tax, the amendments introduce a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale. The exception also applies to investment property acquired in a business combination if the acquirer applies the fair value model in IAS 40 subsequent to the business combination. The amendments also incorporate the requirements of SIC-21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" into IAS 12, i.e., deferred tax arising on a non-depreciable asset measured using the revaluation model in IAS 16 should be based on the sale rate.

The effective date of the amendments is for annual periods beginning on or after January 1, 2012. Earlier application is permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Post Quarter-End Pronouncements

In May 2011, the IASB issued the following standards which have not yet been adopted by the Corporation:

— **IFRS 10 "Consolidated Financial Statements"**

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 "Consolidation—Special Purpose Entities" and parts of IAS 27 "Consolidated and Separate Financial Statements".

— **IFRS 11 "Joint Arrangements"**

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 "Interests in Joint Ventures", and SIC-13 "Jointly Controlled Entities - Non-monetary Contributions by Venturers".

— **IFRS 12 "Disclosure of Interests in Other Entities"**

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-Statement of Financial Position vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

— **IFRS 13 "Fair Value Measurement"**

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

— **Amendments to Other Standards**

In addition, there have been amendments to existing standards, including IAS 27 "Separate Financial Statements", and IAS 28 "Investments in Associates and Joint Ventures". IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The Corporation has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

HUMAN RESOURCES

As at April 30, 2011, the Corporation employed a total of 275 people in its offices, fabrication plant and construction sites in Florida.

OUTLOOK

ADF intends to maintain its strategy aimed at achieving sustainable growth without compromising targeted profitability. ADF benefits from a solid financial position, an order backlog that will provide work for the next 12 months and a team dedicated to deliver these complex projects according to its clients' high expectations.

For the 2012 fiscal year, however, the Corporation will adapt its action plan to the current business environment, which will likely remain affected by the slow economic recovery and the scarcity of new projects in the Corporation's niches, especially in the United States. In this context, one of the Corporation's primary objectives for fiscal 2012 will be to grow its order backlog in order to sustain its future business volume. Hence, while concentrating on the optimal execution of its ongoing contracts and pursuing its development efforts in Western Canada, the Corporation will seek to increase its production capacity utilization rate by targeting high-volume projects. This approach could temporarily lower the average gross profit margin of the Corporation's contract portfolio (expressed as a percentage of revenues).

During fiscal 2012, ADF Group will maintain rigorous management of its operations to preserve the soundness of its financial position and thus position itself advantageously for the economic recovery in its targeted markets.

ADDITIONAL INFORMATION

Management's discussion and analysis of changes in financial position and operating results for the first quarter ended April 30, 2011 has been approved by the Corporation's Board of Directors as of June 14, 2011.

The Corporation regularly discloses information through press releases, quarterly and annual reports and the Annual Information Form, available on the Corporation's website at www.adfgroup.com and the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com.

Marise Paschini

/ Signed /

Executive Vice-President, Treasurer
and Corporate Secretary

Jean-François Boursier, CA

/ Signed /

Chief Financial Officer

Terrebonne, Quebec, Canada, June 14, 2011

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE TO THE READERS

These condensed interim consolidated financial statements have been prepared by the Management of ADF Group Inc. and have not been audited or reviewed by an external auditor.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

3-Month Periods Ended April 30,	2011	2010
(In thousands of CA$, except per-share amounts)	$	$
Revenues	**13,229**	13,641
Cost of goods sold (Note 10)	**10,123**	9,740
Gross margin	**3,106**	3,901
Selling and administrative expenses	**1,892**	1,478
Financial revenues	**(95)**	(22)
Finance charges (Note 12)	**60**	72
Foreign exchange gain (Note 16)	**(755)**	(1,167)
	1,102	361
Income before income tax expense	**2,004**	3,540
Income tax expense	**923**	1,559
Net income for the period	**1,081**	1,981
Earnings per share		
Basic per share (Note 13)	**0.03**	0.06
Diluted per share (Note 13)	**0.03**	0.06
Average number of outstanding shares (in thousands) (Note 13)	**32,775**	34,494
Average number of outstanding diluted shares (in thousands) (Note 13)	**33,390**	35,341

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

3-Month Periods Ended April 30,	2011	2010
(In thousands of CA$)	$	$
Net income for the period	**1,081**	1,981
Other comprehensive income		
Exchange differences on translation of foreign operations (Note 8)	**(1,495)**	(749)
Comprehensive income for the period	**(414)**	1,232

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained income	Total
(In thousands of CA$)	$	$	$	$	$
Balance, February 1, 2010	75,436	3,659	144	13,348	92,587
Net income for the period	—	—	—	1,981	1,981
Other comprehensive income for the period	—	—	(749)	—	(749)
Comprehensive income for the period	—	—	(749)	1,981	1,232
Share-base compensation (Note 7)	—	56	—	—	56
Options exercised	255	(93)	—	—	162
Subordinate voting share redemption	(182)	32	—	—	(150)
Balance, April 30, 2010	75,509	3,654	(605)	15,329	93,887

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained income	Total
(In thousands of CA$)	**$**	**$**	**$**	**$**	**$**
Balance, February 1, 2011	**70,032**	**5,740**	**(1,477)**	**18,739**	**93,034**
Net income for the period	**—**	**—**	**—**	**1,081**	**1,081**
Other comprehensive income for the period	**—**	**—**	**(1,495)**	**—**	**(1,495)**
Comprehensive income for the period	**—**	**—**	**(1,495)**	**1,081**	**(414)**
Share-based compensation (Note 7)	**—**	**59**	**—**	**—**	**59**
Dividends (Note 7)	**—**	**—**	**—**	**(328)**	**(328)**
Balance, April 30, 2011	**70,032**	**5,799**	**(2,972)**	**19,492**	**92,351**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

As at	April 30, 2011	January 31, 2011	February 1, 2010
(In thousands of CA$)	$	$	$
ASSETS			
Current assets			
Cash and cash equivalents	**19,394**	18,677	5,770
Short-term investments	**5,547**	2,787	11,652
Accounts receivable	**21,725**	22,215	13,421
Income tax assets	**174**	—	442
Holdbacks on contracts (Note 9)	**1,128**	167	2,692
Work in progress (Note 9)	**539**	403	1,574
Inventories	**3,923**	3,865	3,093
Prepaid expenses and other current assets	**711**	985	2,299
Derivative financial instruments (Note 16)	**1,088**	741	832
Total current assets	**54,229**	49,840	41,775
Non-current assets			
Holdbacks on contracts (Note 9)	**2,391**	3,562	1,297
Property, plant and equipment (Note 11)	**46,103**	46,871	47,438
Intangible assets (Note 11)	**2,600**	2,601	2,590
Other non-current assets	**2,850**	2,852	2,312
Deferred income tax assets	**5,661**	6,960	11,569
Total assets	**113,834**	112,686	106,981
LIABILITIES			
Current liabilities			
Accounts payable and other current liabilities (Note 6)	**5,336**	5,365	5,649
Income tax liabilities	—	159	—
Deferred revenues (Note 9)	**7,989**	4,994	1,274
Derivative financial instruments (Note 16)	**166**	45	—
Current portion of long-term debt	**2,379**	2,513	2,422
Total current liabilities	**15,870**	13,076	9,345
Non-current liabilities			
Long-term debt	**5,247**	6,151	4,645
Deferred income tax liabilities	**366**	425	404
Total liabilities	**21,483**	19,652	14,394
SHAREHOLDERS' EQUITY			
Retained income	**19,492**	18,739	13,348
Accumulated other comprehensive income (Note 8)	**(2,972)**	(1,477)	144
	16,520	17,262	13,492
Capital stock (Note 7)	**70,032**	70,032	75,436
Contributed surplus	**5,799**	5,740	3,659
Total shareholders' equity	**92,351**	93,034	92,587
Total liabilities and shareholders' equity	**113,834**	112,686	106,981

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

The Board of Directors approved the condensed interim consolidated financial statements on June 14, 2011 and they have been signed on behalf of it.

/ Signed /	/ Signed /
Jean Paschini, Director	**Marc A. Benoît,** CA, Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

3-Month Periods Ended April 30,	**2011**	2010
(In thousands of CA$)	**$**	$
OPERATING ACTIVITIES		
Net income	**1,081**	1,981
Non-cash items:		
Amortization of property, plant and equipment	**792**	692
Amortization of intangible assets	**89**	84
Gain on disposal of property, plant and equipment	**—**	(52)
Unrealized gain on derivative financial instruments	**(226)**	(379)
Non-cash exchange gain	**(244)**	(496)
Share-based compensation	**59**	56
Income tax expense	**923**	1,559
Financial revenues	**(95)**	(22)
Finance charges	**60**	72
Net income adjusted for non-cash items	**2,439**	3,495
Changes in non-cash working capital items (Note 14)	**2,961**	(3,101)
Income tax expense paid	**(368)**	(191)
Cash flows from (used in) operating activities	**5,032**	203
INVESTING ACTIVITIES		
Acquisition of short-term investments	**(2,905)**	(131)
Acquisition of property, plant and equipment	**(29)**	(1,649)
Acquisition of intangible assets	**(88)**	(120)
Reduction in other non-current assets	**1**	3
Interest received	**77**	94
Cash flows from (used in) investing activities	**(2,944)**	(1,803)
FINANCING ACTIVITIES		
Issuance of long-term debt	**—**	4,370
Repayment of long-term debt	**(600)**	(411)
Issuance of subordinate voting shares	**—**	162
Redemption of subordinate voting shares	**—**	(150)
Interest paid on the interest rate swap	**(9)**	—
Interest paid	**(53)**	(61)
Cash flows from (used in) financing activities	**(662)**	3,910
Impact of fluctuations in foreign exchange rate on cash	**(709)**	(178)
Net increase in cash and cash equivalents	**717**	2,132
Cash and cash equivalents, beginning of period (Note 14)	**18,677**	5,770
Cash and cash equivalents, end of period (Note 14)	**19,394**	7,902

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. **NATURE OF BUSINESS**

ADF GROUP INC. ("ADF" or the "Corporation") is incorporated under the Canada Business Corporations Act and is headquartered in Terrebonne, Quebec, Canada. The Corporation's securities are traded on the Toronto Stock Exchange under the ticker symbol DRX. The Corporation operates a 58,530-square-metre (630,000-square-foot) plant in Canada and concentrates its activities in the design and engineering of connections, fabrication and installation of complex steel superstructures, heavy steel built-ups, as well as miscellaneous and architectural metalwork. The Corporation's products and services are intended for the following five principal segments of the non-residential construction market: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes and nuclear facilities, and transport infrastructures.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF IFRS**

a) **Adoption of IFRS**

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and requires publicly accountable companies to apply such standards effective for years beginning on or after January 1, 2011. The Corporation began reporting in accordance with these accounting pronouncements in these condensed interim consolidated financial statements. In the financial statements, the term "previous GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, notably IAS 34 and IFRS 1. The condensed interim consolidated financial statements should be read in conjunction with the Corporation's previous GAAP annual financial statements for the fiscal year ended January 31, 2011. Note 18 discloses IFRS information for the fiscal year ended January 31, 2011, not provided in the 2011 annual financial statements.

Subject to certain transition elections disclosed in Note 18, the Corporation has consistently applied the same accounting policies in its opening IFRS Statement of Financial Position at February 1, 2010 and throughout all periods disclosed, as if these policies had always been in effect. Note 18 discloses the impact of the transition to IFRS on the Corporation's financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Corporation's consolidated financial statements for the fiscal year ended January 31, 2011. The 2011 comparative figures disclosed in these consolidated financial statements have been restated to take into account these changes.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of June 14, 2011, on which date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that will apply to the Corporation's annual consolidated financial statements for the fiscal year ending January 31, 2012, could result in restatement of these condensed interim consolidated financial statements, including transitional adjustments recognized at the time of changeover to IFRS.

The condensed interim consolidated financial statements have been prepared under the historical cost convention, except for the evaluation of certain financial instruments and derivative financial instruments measured at the fair value.

b) **Principles of Consolidation**

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Inter-company transactions and balances have been eliminated.

Subsidiaries are those entities (including special purpose entities) which the Corporation controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are de-consolidated from the date that control ceases.

The table below summarizes the Corporation's main subsidiaries as at February 1, 2010, January 31, 2011, and April 30, 2011 and the Corporation's percentage of ownership. All of these interests are consolidated in the Corporation's financial statements.

Subsidiaries	Countries of Incorporation	Activity Sectors	Percentage of Shareholding		
			April 30, 2011	January 31, 2011	February 1, 2010
			%	%	%
ADF Group USA Inc.	United States	Holding	**100**	100	100
ADF International Inc.	United States	Sales and installation services	**100**	100	100
ADF Steel Corp.	United States	Sales and other services	**100**	100	100

c) **Foreign Currency Translation**

i. ***Functional and Presentation Currency***

Items included in the financial statements of each consolidated entity of the Corporation are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are disclosed in Canadian dollars, which is the Corporation's functional currency.

The financial statements of entities whose functional currency differs from that of the Corporation ("foreign operations") are translated into Canadian dollars as follows:

- assets and liabilities – at the closing rate at the date of the Statement of Financial Position, and
- revenues and expenses – at the average rate of the period (considered a reasonable approximation to actual rates).

All resulting changes are recognized in other comprehensive income as cumulative exchange differences on translation of foreign operations.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the accumulated exchange differences in other comprehensive income related to the foreign operation are recognized in net income. When an entity disposes of part of an interest in a foreign operation which remains its subsidiary, the proportionate amount of the cumulative translation differences recognized in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

ii. ***Transactions and Balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Generally, translation differences resulting from the settlement of foreign currency transactions and from the translation at the exchange rates effective at the reporting date of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in net income.

d) **Revenue and Cost Recognition**

ADF recognizes revenues and costs recorded for every contract and for every given financial period in accordance with IAS 11 "Construction Contracts".

A construction contract is defined by IAS 11 as a contract specifically negotiated for the construction of an asset. Contract costs are recognized as expenses in the period in which they are incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The group uses the percentage-of-completion method to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are disclosed as inventories, prepayments or other assets, depending on their nature.

This method requires Management to make estimates with regard to the work completed, and the costs to complete the balance of the work in order to determine the amount of revenues and profits to be recognized at the end of every period. Under this method, the profits recognized are dependent on a variety of estimates, including the progress of the engineering work, quantities of material, achievement of certain contractual milestones, costs to complete, changes made by the professionals hired by the project's owner, site conditions and other situations having an impact on costs. These estimates depend on Management's judgment with respect to these factors at a specific date, and certain estimates are difficult to determine before the project is sufficiently advanced.

Given the complexity of the estimation process, even with business practices, projected costs can vary from the estimates. The revision of such estimates could reduce or increase the profit on a contract and also, under certain circumstances, result in the immediate recognition of estimated losses. Furthermore, in the normal course of business, changes to contracts often occur while they are in progress. The revenues relating to those contract changes are included in the total estimated revenues up to the anticipated costs when there is a verbal agreement with the client. Consequently, the profits related to these changes are recognized only upon their written approval. In certain cases, however, the costs are incurred and recognized before a settlement is finalized and recorded. This situation often leads to the recognition of losses when the costs are incurred before an agreement is reached with the client, while profits are recognized when the negotiated agreement is signed and posted to the Corporation's books.

The mechanisms related to the percentage-of-completion method can cause fluctuations in the recognition of revenues and costs from one quarter to another with regard to the contracts underway. Consequently, while the Corporation tends to realize its profitability objective on its overall order backlog and the full project execution term, gross margin can vary from quarter to quarter based on specific mix of revenues and costs recorded on all projects for every given period.

Claims are included in total estimated contract revenues once a final settlement is reached. This leads to a situation where losses are recognized when costs are incurred, before the client signs an agreement, and revenues and profits are recognized when an agreement is signed.

e) **Contracts Receivable**

Construction contracts with clients generally provide that billing must be done periodically in accordance with the extent of work carried out under the contracts. Contracts receivable arise principally from the invoicing of the work in accordance with the contractual terms. Holdbacks on contracts receivable are amounts invoiced on the contracts, which are withheld by the project owner as per milestones established in the contract.

f) **Work in Progress**

Work in progress represents revenues earned under the percentage-of-completion method, which has not been billed. Deferred revenues represent amounts billed on contracts in excess of the revenues allowed to be recognized under the percentage-of-completion method on those contracts.

g) **Cash and Cash Equivalents**

Cash and cash equivalents includes cash in hand, amounts deposited in banks, and other short-term highly liquid investments with original maturities of three months or less.

h) **Inventories**

Inventories, predominantly raw material (steel), are valued at the lower of cost or net realizable value. Cost is determined using the specific cost method. The net realizable value is the estimated selling price less the estimated costs required to realize the sale.

i) **Property, Plant and Equipment and Amortization**

Property, plant and equipment are recorded at cost, less accumulated amortization and accumulated impairment. The cost is comprised of expenses that are directly attributable to the acquisition of the asset. Amortization is recorded at rates that allocate the cost of depreciable assets over their estimated useful lives, as follows:

- Buildings and land improvements, using the straight-line method over periods varying from 5 to 110 years;
- Equipment and travelling cranes, using the straight-line method over periods varying from 3 to 25 years; and
- Office furniture, rolling stock and computer hardware, using the straight-line method over a 5 to 30-year period.

The residual value, amortization method and useful life of property, plant and equipment are reviewed every year and adjusted if required.

j) **Borrowing costs**

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance charges in the Statement of Income in the period in which they are incurred.

k) **Intangible Assets and Amortization**

Intangible assets, currently comprised of an integrated management software primarily used for fabrication purposes, are recognized at cost and amortized at fixed rates based on their estimated useful life, that is, based on the straight-line method on a 5 to 15-year period.

The amortization method and useful life of intangible assets are reviewed every year and adjusted if required.

l) **Impairment of Non-Financial Assets**

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, being the present value of the expected future cash flows of the relevant asset or CGU.

The impairment is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists.

Goodwill acquired through a business combination is allocated to each CGU or group of CGUs that are expected to benefit from the related business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment.

The Corporation evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

m) **Income Tax Expense**

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the Statement of Income except to the extent that it relates to items recognized directly in shareholders' equity, in which case the income tax is also recognized directly in shareholders' equity.

Current tax is the expected income tax expense payable on the taxable income for the period, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the closing date and are expected to apply when the deferred income tax asset or liability is settled. A deferred income tax asset is recognized to the extent that it is probable that the asset can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Corporation and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are disclosed as non-current.

Income tax in interim periods is determined using the tax rate that would be applicable to expected total annual income.

n) **Tax Credits and Government Grants**

In the course of its business, the Corporation may receive government grants, which are accounted for in accordance with the Standard IAS 20, "Accounting for Government Grants" and recorded against the expenses or in reduction of the related capital assets. The Corporation also benefits from tax credits derived from investments, job creation and scientific research and experimental development ("SR&ED") activities. These tax credits are also recorded using the cost reduction method, under which the tax credits related to eligible expenditures, capitalized or expensed, as long as their realization is reasonably assured, are recognized in reduction of the related costs during the period in which they are incurred.

Tax credits and government grants receivable are discounted when the effect of the time value of money is material.

o) **Share-Based Compensation and Other Share-Based Payments**

The Corporation manages compensation plans for its personnel that are equity-settled share-based payments. None of the Corporation's plans include cash-settled options.

The Corporation accounts for its stock option plan for certain employees and directors using the method, which requires that all share-based compensation measured on a fair value basis be recognized in the Consolidated Statement of Income, for the option-related compensation expense.

Share-based compensation is ultimately recognized as an expense in net income whereas its consideration is recognized in contributed surplus. Where periods or acquisition rights apply, the expense is allocated over the period based on the best available estimate of the number of stock options expected to vest.

p) **Earnings Per Share**

Basic earnings per share are based using the weighted average number of voting shares issued and outstanding and is obtained by dividing net income by the weighted average number of outstanding shares during the period. Diluted earnings per share are obtained by dividing basic net income by the sum of the weighted average number of voting shares used to calculate basic earnings per share and the weighted average number of voting shares that would be issued if all of the potentially dilutive outstanding voting shares were converted using the treasury stock method for stock options.

q) **Financial Instruments**

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts, as well as an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

r) **Classification and Assessment**

- Cash is classified as an asset held for trading and is measured at fair value. Gains and losses from periodic revaluation are recognized in net income;
- Cash equivalents, short-term investments, accounts receivable and holdbacks on contracts are classified as loans and receivables and are measured at amortized cost using the effective interest rate method;
- Equity investments in publicly-traded companies whose securities are traded on a stock exchange are classified as available for sale and are measured at fair value, and changes are recognized in other comprehensive income at the end of each period;
- Accounts payable and other current liabilities, as well as the long-term debt are classified as other liabilities and are measured at amortized cost using the effective interest rate method; and
- The Corporation did not classify any financial assets as held to maturity nor any financial liabilities as held for trading.

Transaction costs are capitalized at the cost of the financial assets and liabilities that are not classified as held for trading. As such, transaction costs applied to the long-term debt are classified against the long-term debt and are amortized using the effective interest rate method.

s) **Derivatives and Hedging Relationships**

In accordance with its foreign currency hedge policy, the Corporation can use derivative instruments such as foreign exchange contracts to eliminate or mitigate the risk of currency fluctuations related to its operations and its assets and liabilities in foreign currencies. Management is responsible for the establishment of the acceptable risk levels and does not use derivatives for speculation purposes. The Corporation only uses these derivatives to hedge possible future transactions. Since the Corporation did not apply hedge accounting, the forward foreign exchange contracts are recognized at their fair value at the end of each period. The gains or losses from the revaluation are recorded in net income under "Foreign exchange gain".

t) **Impairment of Financial Assets**

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment as follows:

- ***Financial Assets Carried at Amortized Cost***

  The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The financial asset's carrying amount is reduced by this amount either directly or indirectly through the use of an allowance account.
- ***Available-For-Sale Financial Assets***

  The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the Statement of Income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income.

Impairments on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairments on available-for-sale equity instruments are not reversed.

u) **Pension Plan**

The Corporation offers its eligible employees a defined contribution pension plan for which the Corporation can contribute an amount equal to the employee's contribution or an amount predetermined under the collective agreement. The contributions are disbursed monthly to the pension plan. Contributions are charged to net income under "Cost of goods sold", and "Selling and administrative expenses", when they are payable.

v) **Segmented Information**

The Corporation operational areas are consistently disclosed with the internal reports provided to the Chief Executive Officer (the Chief Operating Decision–Maker).

3. ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Since the financial reporting process requires the use of estimates, actual results could differ from those estimates. As previously indicated the evaluation of work in progress requires Management to estimate the percentage of completion, cost of completion and anticipated gross margin. The measurement of long-term assets and related impairment, stock options, taxes, provisions and contingencies also requires estimates.

a) **Percentage of Completion**

As at April 30, 2011, the carrying amount of work in progress in the amount of $539,000 ($403,000 as at January 31, 2011) and the revenues recognized on construction contracts reflect Management's best estimates of the result on each contract and its estimated costs. The Corporation's Management assesses the profitability of its ongoing construction contracts and its order backlog at least once a month by using complete project management procedures. Where complex contracts are concerned, the contract's costs to complete and profitability are exposed to important uncertainties in estimation. Actual results could differ because of these unforeseen changes in the ongoing contracts' models. Further information on the Corporation's accounting policies used for construction contracts is provided in Note 2 d).

b) **Assessment and Impairment of Long-Lived Assets**

Management reviews the useful lives of its amortizable assets at each closing date. On April 30, 2011, Management estimated that the useful lives represented the expected useful life of the Corporation's assets. The carrying amounts are analyzed at the end of each fiscal year in the notes to the consolidated financial statements. Actual results could however differ because of technical obsolence, particularly with regard to hardware and software.

c) **Income Taxes**

The Corporation calculates the income tax expense for each jurisdiction where it operates. However, the actual income tax amounts become definitive only upon the filing of income tax returns and acceptance thereof by the competent authorities, which occur after the financial statements are published. In addition, the estimate of income tax expense includes the assessment of the deferred income tax assets collectability and is based on an assessment of the capacity to use the underlying future tax deductions before they expire. The assessment is based on current tax laws and on an estimate of future taxable income.

The Corporation's tax rate for the three-month period ended April 30, 2011 was 46% (44% for the corresponding period ended April 30, 2010) of income before income tax expense.

4. IMPORTANT JUDGEMENTS MADE BY MANAGEMENT WITH REGARD TO APPLYING ACCOUNTING POLICIES

The following sections discuss the important judgements that Management must make in the process of applying the Corporation's accounting policies, and that have the most significant effect on the financial statements. Uncertainties about critical estimates are disclosed in Note 3.

Revenues From Construction Contracts

Management estimates the percentage of completion of construction contract activity based on the available information at the reporting date. As part of this process, Management makes important judgements with regard to milestone marked, actual work performed and estimated costs to complete. See Note 2 d) for further information about the Corporation's accounting policies with regard to construction contracts.

5. RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

Prior to Quarter-End Pronouncement

— **IFRS 9 "Financial Instruments"**

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through income. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through income or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in income to the extent not clearly representing a return on investment, are recognized in income; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, "Financial Instruments – Recognition and Measurement", except that fair value changes due to credit risk for liabilities designated at fair value through income would generally be recorded in other comprehensive income.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

— **IAS 12 "Income Taxes"**

The IASB issued on December 20, 2010 an amendment to IAS 12 "Income Taxes" related to the recovery of underlying assets. It addresses Deferred Tax: Recovery of Underlying Assets. The amendments provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 "Investment Property". For the purposes of measuring deferred tax, the amendments introduce a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale. The exception also applies to investment property acquired in a business combination if the acquirer applies the fair value model in IAS 40 subsequent to the business combination. The amendments also incorporate the requirements of SIC-21 "Income Taxes—Recovery of Revalued Non-Depreciable Assets" into IAS 12, i.e., deferred tax arising on a non-depreciable asset measured using the revaluation model in IAS 16 should be based on the sale rate.

The effective date of the amendments is for annual periods beginning on or after January 1, 2012. Earlier application is permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Post Quarter-End Pronouncements

In May 2011, the IASB issued the following standards which have not yet been adopted by the Corporation:

— **IFRS 10 "Consolidated Financial Statements"**

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 "Consolidation—Special Purpose Entities" and parts of IAS 27 "Consolidated and Separate Financial Statements".

— **IFRS 11 "Joint Arrangements"**

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 "Interests in Joint Ventures", and SIC-13 "Jointly Controlled Entities—Non-monetary Contributions by Venturers".

— **IFRS 12 "Disclosure of Interests in Other Entities"**

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-Statement of Financial Position vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

— **IFRS 13 "Fair Value Measurement"**

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

— **Amendments to Other Standards**

In addition, there have been amendments to existing standards, including IAS 27 "Separate Financial Statements", and IAS 28 "Investments in Associates and Joint Ventures". IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

The Corporation has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

6. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

As at	**April 30, 2011**	January 31, 2011	February 1, 2010
(In thousands of CA$)	$	$	$
Accounts payable	**2,488**	2,770	1,955
Accrued charges	**663**	710	994
Salaries and fringe benefits payable	**1,857**	1,885	1,732
Dividends payable and advances on construction contracts	**328**	—	968
	5,336	5,365	**5,649**

7. CAPITAL STOCK

a) Capital Stock

Authorized: Unlimited number of subordinate voting shares, carrying one (1) vote per share.
Unlimited number of multiple voting shares, carrying ten (10) votes per share.
Unlimited number of preferred shares, issuable in series.

(In thousands of CA$, except number of shares)	Subordinate Voting Shares Number	Subordinate Voting Shares $	Multiple Voting Shares Number	Multiple Voting Shares $	Total Number	Total $
As at February 1, 2010	**20,122,605**	**59,435**	**14,343,107**	**16,001**	**34,465,712**	**75,436**
Issued on exercise of stock options	**249,200**	**277**	**—**	**—**	**249,200**	**277**
Share redemption	**(1,940,000)**	**(5,681)**	**—**	**—**	**(1,940,000)**	**(5,681)**
As at January 31, 2011 and April 30, 2011	**18,431,805**	**54,031**	**14,343,107**	**16,001**	**32,774,912**	**70,032**

b) **Subordinate Voting Shares**

During the three-month period ended April 30, 2011, the Corporation did not issue subordinate voting shares (228,000 subordinate voting shares during the period ended April 30, 2010, for a total of $254,000). (See "Stock Option Plan" hereinafter).

During the quarter ended April 30, 2011, the Corporation recognized as distribution to its shareholders of record as at April 29, 2011 dividends totalling $328,000, or $0.01 per share (none during the quarter ended April 30, 2010). This amount was payable on May 16, 2011 and is included in accounts payable (see Note 6 to the Consolidated Statement of Financial Position dated April 30, 2011.

c) **Stock Option Plan**

At April 30, 2011, a total of 3,426,029 subordinate voting shares (3,426,029 as at January 31, 2011 and February 1, 2010) were reserved for the stock option plan, of which 1,476,029 at April 30, 2011 (1,476,029 at January 31, 2011 and 1,516,029 at February 1, 2010), had not yet been granted. The plan requires that the exercise price of the options granted must not be less than the closing market value on the day the options are granted by the Corporation's Board of Directors. These options start vesting one year after the grant date, at the rate of 20% per year, except those issued on February 20, 2007, which vest at a rate of 50% per year, and those issued on July 17, 2009 and December 14, 2009, which are exercisable over a three-year period, commencing at these dates. All options have a 10-year life from the grant date.

	As at April 30, 2011		As at January 31, 2011	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
	(In units)	**(In $)**	(In units)	(In $)
Outstanding, at the beginning	**1,381,864**	**1.39**	1,591,064	1.27
Granted	**—**	**—**	50,000	1.88
Exercised	**—**	**—**	(249,200)	0.71
Cancelled	**—**	**—**	(10,000)	2.14
Outstanding, at the end	**1,381,864**	**1.39**	1,381,864	1.39
Exercisable, at the end	**1,219,064**	**1.21**	1,207,064	1.17

At April 30, 2011, the weighted average exercise price and the weighted average remaining contractual life of the options were as follows:

	Options Outstanding			**Options Exercisable**	
Exercise Price	*Number Outstanding*	*Weighted Average Remaining Life*	*Weighted Average Exercise Price*	*Number Exercisable*	*Weighted Average Exercise Price*
(In $)		(Years)	(In $)		(In $)
6.48	5,000	6.71	6.48	3,000	6.48
5.65	60,000	6.96	5.65	36,000	5.65
2.52	60,000	8.62	2.52	40,000	2.52
2.45	168,000	8.21	2.45	120,000	2.45
2.14	27,664	5.81	2.14	27,664	2.14
1.88	50,000	9.38	1.88	—	1.88
1.79	48,000	5.62	1.79	36,000	1.79
1.63	50,000	4.16	1.63	50,000	1.63
1.15	2,000	7.65	1.15	800	1.15
1.14	20,000	5.12	1.14	16,000	1.14
1.05	8,000	5.06	1.05	6,400	1.05
0.71	883,200	3.95	0.71	883,200	0.71
	1,381,864	**5.14**	**1.39**	**1,219,064**	**1.21**

The Corporation did not grant options during the three-month periods ended April 30, 2011 and April 30, 2010. A total expense of $59,000 was recorded in net consolidated income for the three-month period ended April 30, 2011, and a corresponding amount was recorded as contributed surplus ($56,000 for the corresponding period ended April 30, 2010).

8. **ACCUMULATED OTHER COMPREHENSIVE INCOME**

3-Month Periods Ended April 30,	**2011**	2010
(In thousands of CA$)	**$**	$
Exchange differences on translation of foreign operations		
Balance, beginning of period	**(1,621)**	–
Changes during the period	**(1,495)**	(749)
Balance, end of period	**(3,116)**	(749)
Available-for-sale financial assets		
Balance, beginning of period	**144**	144
Changes during the period	**–**	–
Balance, end of period	**144**	144

As at	**April 30, 2011**	January 31, 2011	February 1, 2010
(In thousands of CA$)	**$**	$	$
Allocated as follows:			
Exchange differences on translation of foreign operations a)	**(3,116)**	(1,621)	–
Available-for-sale financial assets b)	**144**	144	144
	(2,972)	(1,477)	144

a) "Translation of foreign operations" component represents exchange differences relating to the translation from the functional currencies of the Corporation's foreign operations into Canadian dollars. On disposal of a foreign operation, the cumulative translation differences are reclassified to net income as part of the gain or loss on disposal.

b) "Available-for-sale financial assets" component arises upon the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the component that relates to that financial asset, and is effectively realized, is recognized in net income. Where a revaluated financial asset is impaired, the portion of the component that relates to that financial asset is recognized in net income.

9. **CONSTRUCTION CONTRACTS**

Revenues totalling $13,229,000 for the three-month period ended April 30, 2011 ($13,641,000 for the corresponding period ended April 30, 2010 and $55,268,000 for the 12-month period ended January 31, 2011) related to construction contracts have been included in revenues of the reporting period. The amounts recorded in the Statement of Financial Position relate to current construction contracts at the end of the reporting period.

The amounts are calculated as the net incurred costs plus profits, less recognized losses and summary invoicing. The carrying amount of assets and liabilities is as follows:

As at	**April 30, 2011**	January 31, 2011	February 1, 2010
(In thousands of CA$)	**$**	$	$
Total amount of cost incurred and profits and losses recorded on all ongoing contracts	**122,775**	123,246	134,261
Less progress billing	**(130,225)**	(127,837)	(134,929)
	(7,450)	(4,591)	(668)
Recognized as follows:			
Amounts owed by clients for work performed under the construction contracts, recorded in accounts receivable	**539**	403	1,574
Amounts owed to clients for work performed under the construction contracts, recorded in deferred revenues	**(7,989)**	(4,994)	(2,242)
	(7,450)	(4,591)	(668)

Advances received from clients on construction contracts for work not yet realized have been recognized in accounts payable and other current liabilities (see Note 6). The amount of these advances was nil at April 30, 2011 and January 31, 2011 ($968,000 as at February 1, 2010).

Holdbacks on construction contracts will be received at the time of the client's approval of the work performed and amounts are as follows:

As at	**April 30, 2011**	January 31, 2011	February 1, 2010
(In thousands of CA$)	**$**	$	$
Holdbacks on contracts included in current assets	**1,128**	167	2,692
Holdbacks on contracts included in non-current assets	**2,391**	3,562	1,297
	3,519	3,729	3,989

10. COST OF GOODS SOLD

Cost of goods sold isas follows:

3-Month Periods Ended April 30,	2011	2010
(In thousands of CA$)	$	$
Cost of goods sold	**9,358**	9,060
Amortization of property, plant and equipment and intangible assets	**765**	680
	10,123	9,740

11. AMORTIZATION EXPENSES

3-Month Periods Ended April 30,	2011	2010
(In thousands of CA$)	$	$
Amortization of property, plant and equipment	**792**	692
Amortization of intangible assets	**89**	84
	881	776

All property, plant and equipment were subject to amortization during the three-month period ended April 30, 2011. The carrying amount of property, plant and equipment currently under construction and not amortized during the three-month period ended April 30, 2010 totalled $1,749,000, and related to the buildings' expansion.

The carrying amount of the property, plant and equipment not yet amortized during the three-month period ended April 30, 2011, stood at $118,000 and related to the development of an integrated financial software program. All intangible assets were subject to amortization during the three-month period ended April 30, 2010.

12. FINANCE CHARGES

3-Month Periods Ended April 30,	2011	2010
(In thousands of CA$)	$	$
Interest on long-term debt	**53**	61
Other interest	**7**	11
	60	72

13. EARNINGS PER SHARE

Diluted earnings per share were calculated using the treasury stock method. The table hereafter reconciles the numerator and denominator used in the calculation of basic and diluted earnings per share.

3-Month Periods Ended April 30,	2011	2010
	$	$
Numerator (in thousands of CA$)		
Numerator applicable to basic and diluted earnings per share	**1,081**	1,981
Denominator (in units)		
Basic weighted average number of shares	**32,775**	34,494
Effect of dilutive instruments:		
— Stock options	**615**	847
Diluted weighted average number of shares	**33,390**	35,341

For the purpose of computing diluted earnings per share, the Corporation must account for stock options as a dilutive instrument.

For the three-month ended April 30, 2011, only 1,127,064 stock options were included in the computation of diluted earnings per share (1,077,064 for three-month ended April 30, 2010), since the other options were antidilutive.

14. SUPPLEMENTAL CASH FLOWS INFORMATION

The following table sets out in detail the components of the "Changes in non-cash working capital items":

3-Month Periods Ended April 30,	2011	2010
(In thousands of CA$)	$	$
Accounts receivable	(749)	(5,051)
Holdbacks on contracts	5	1,473
Income tax	(12)	415
Work in progress	(166)	(212)
Inventories	(58)	(395)
Prepaid expenses and other current assets	273	(586)
Accounts payable and other current liabilities	233	754
Deferred revenues	3,435	501
Changes in non-cash working capital items	2,961	(3,101)

Financing and investing activities without impact on cash were nil as at April 30, 2011, and $139,000 as at April 30, 2010, relating to the disposal of property, plant and equipment given in exchange for new ones.

For the purpose of the Consolidated Statements of Cash Flows, cash and cash equivalents are disclosed as follows:

As at	April 30, 2011	January 31, 2011	February 1, 2010
(In thousands of CA$)	$	$	$
Cash	19,394	15,918	5,770
Cash equivalents – term deposits	—	2,759	—
	19,394	18,677	5,770

15. RELATED-PARTY TRANSACTIONS

In the normal course of business, certain transactions were concluded with companies held by controlling shareholders. These transactions, summarized below, are measured at the exchange value, which approaches the market value:

3-Month Periods Ended April 30,	2011	2010
(In thousands of CA$)	$	$
Management fees	274	288

The Corporation's principal executive officers are members of the Board of Directors and members of the Management Committee of ADF Group Inc. (the parent company) and their related persons. Their compensation includes the following expenses:

3-Month Periods Ended April 30,	2011	2010
(In thousands of CA$)	$	$
Salaries and other short-term benefits	137	161
Social security cost	22	19
Pension plan contributions	44	22
Share-based compensation	58	53
Other	69	67
	330	322

16. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to exchange rate fluctuations between the Canadian and U.S. dollars, since the majority of its revenues is recorded in U.S. dollars, i.e. approximately 98% during the three-month period ended April 30, 2011 (96% during the three-month period ended April 30, 2010). As part of its foreign currency hedge policy, the Corporation uses different mechanisms to mitigate the impact of these fluctuations on its results, such as:

- Maximizing purchases in U.S. dollars when possible to avail itself of a natural hedging;
- Acquiring fabrication equipment in U.S. dollars;
- Conversion of the long-term debt in U.S. dollars; and
- Using forward exchange contracts to hedge part of the residual exchange risk.

The Corporation concluded forward exchange contracts during the three-month period ended April 30, 2011, and has committed to sell during that same period US$3,000,000 at an average rate of CA$0.97 for US$1.00 and US$3,000,000 at an average rate of CA$0.98 for US$1.00. These forward exchange contracts mature as follows: US$1,500,000 in July 2011, US$1,500,000 in October 2011, US$1,500,000 in January 2012 and US$1,500,000 in April 2012.

In addition, each new forward exchange contract includes an option on currency, of equal value, in favour of the issuing financial institution that can exercise it, at will, for the indicated value if the rate, at maturity date, is higher than the prescribed rate of $0.97 or $0.98, as the case may be. If the rate is below $0.97 or $0.98 at maturity date, the option will become obsolete.

The operations related to forward exchange contracts are summarized below:

	3 months period ended April 30, 2011			12 months period ended January 31, 2011		
(In thousands of CA$, except rates)	**US$**	**CA$**	**Average Rate**	US$	CA$	Average Rate
Balance, at the beginning	**16,500**	**17,328**	**1.0502**	17,000	19,080	1.1224
Acquisitions	**6,000**	**5,850**	**0.9750**	27,000	28,395	1.0517
Matured	**(7,500)**	**(7,888)**	**1.0517**	(27,500)	(30,147)	1.0963
Balance, at the end	**15,000**	**15,290**	**1.0193**	16,500	17,328	1.0502

The balance of unmatured forward exchange contracts totalled US$15,000,000 as at April 30, 2011 (US$16,500,000 on January 31, 2011), representing 24% of the net risk (25% on January 31, 2011) between the future cash inflows and outflows denominated in U.S. dollars in regard to the order backlog in hand for the fiscal year ending January 31, 2012.

These derivative financial instruments mature as follows:

	Forward Exchange Contracts			Options on Currency		
(In thousands of CA$, except rates)	**US$**	**CA$**	**Average Rate**	US$	CA$ [1]	Minimum Rate [1]
July 29, 2011	**9,000**	**9,343**	**1.0380**	1,500	1,455	0.9700
October 31, 2011	**3,000**	**3,007**	**1.0025**	1,500	1,455	0.9700
January 31, 2012	**1,500**	**1,470**	**0.9800**	1,500	1,470	0.9800
April 30, 2012	**1,500**	**1,470**	**0.9800**	1,500	1,470	0.9800
	15,000	**15,290**	**1.0193**	6,000	5,850	0.9750

1. Represents the minimum amount the Corporation could have to pay out, at the minimum specified rate, should the financial institution exercise its conversion feature at maturity date. However, this payout could be higher in the event where the market rate of the U.S. dollar in relation to the Canadian dollar is higher at the date of maturity of each of these options.

These derivative financial instruments are classified as held for trading and are measured at their fair value at the end of each period since they are not designated as part of an effective hedging relationship.

The Corporation's position is summarized below:

As at	**April 30, 2011**	January 31, 2011	February 1, 2010
(In thousands of CA$)	**$**	$	
Current assets relating to derivative financial instruments:			
Forward exchange contracts	**1,088**	741	832
Current liabilities relating to derivative financial instruments:			
Options on currency	**126**	—	—
Interest rate swap	**40**	45	—
	166	45	—

Moreover, the Corporation collected $773,000 with regard to exchange gains on contracts that matured during the three-month period ended April 30, 2011, the fair value of which was US$7,500,000, at an average rate of CA$1.0517 for US$1.00, compared with the collection of $582,000 related to exchange gains on contracts that matured during the three-month period ended April, 30, 2010, the fair value of which was US$5,000,000 at an average rate of CA$1.1280 for US$1.00,. Taking into account the favourable position of $741,000 at January 31, 2011, the portion of the gain on foreign exchange related to derivative financial instruments included under "Gain on foreign exchange" totalled $994,000 during the three-month period ended April 30, 2011 ($960,000 during the three-month period ended April 30, 2010, taking into account the favourable position of $832,000 at January 31, 2010).

17. SEGMENTED INFORMATION

The Corporation operates in the non-residential construction sector, primarily in the United States and Canada. Its operations include the connections design and engineering, fabrication and installation of complex steel structures, heavy steel built-ups, as well as miscellaneous and architectural metalwork.

3-Month Periods Ended April 30,	**2011**	2010
(In thousands of CA$)	**$**	$
Revenues		
Canada	**225**	440
United States	**13,004**	13,201
	13,229	13,641

As at	April 30, 2011	January 31, 2011	February 1, 2010
(In thousands of CA$)	**$**	$	
Property, Plant and Equipment			
Canada	**46,010**	46,767	47,293
United States	**93**	104	145
	46,103	46,871	47,438

All intangible assets and investment tax credits included under "Other non-current assets" at February 1, 2010, January 31, 2011 and April 30, 2011, originated from Canada.

During the three-month period ended April 30, 2011, one client accounted for 94% of the Corporation's revenues (one client accounted for 90% of the revenues during the three-month period ended April 30, 2010), and therefore accounted for more than 10% of revenues.

18. **FIRST-TIME ADOPTION OF IFRS**

These financial statements are the Corporation's first condensed interim consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS is February 1, 2010.

The Corporation's IFRS accounting policies disclosed in Note 2 have been applied in preparing the consolidated financial statements for the three-month period ended April 30, 2011, the comparative information and opening Statement of Financial Position at the date of transition. The Corporation applied IFRS 1 "First-Time Adoption of International Reporting Financial Standards" (revised in 2008) in preparing these first condensed consolidated statement of financial statements in compliance with IFRS. The effects of the transition to IFRS on the financial position, shareholders' equity, net income, comprehensive income and cash flows are disclosed and further explained in the tables of the related notes.

In preparing these condensed consolidated financial statements in accordance with IFRS 1, the Corporation has applied some of the elective exemptions from full retrospective application of IFRS, as described below:

— **Business Combinations**

This exemption allows an entity not to restate retrospectively the business combinations that occurred before the IFRS transition date. The Corporation elected not to restate retrospectively business combinations that occurred before February 1, 2010.

— **Fair Value or Reevaluation as Deemed Cost**

IFRS 1 allows an entity to measure each property, plant and equipment item at fair value and designate this fair value as its deemed cost on the transition date. The Corporation elected to apply this allowable IFRS exemption to its land which, consequently, was measured at fair value at the transition date (see Note 18 b).

— **An Agreement Includes a Lease Agreement**

This exemption allows an entity to determine whether or not an existing agreement, at the IFRS transition date, includes a lease agreement based on the facts and circumstances that prevailed at that date. If such agreement contains a lease agreement at the transition date, the Corporation elected to consider this agreement at that date, rather than retrospectively. This decision did not have a monetary impact on Corporation's opening balances.

— **Borrowing Cost**

In accordance with IFRS 1, the Corporation elected to apply IAS 23 "Borrowing Cost" retrospectively from February 1, 2010. Consequently, the accounting treatment for borrowing costs incurred prior to February 1, 2010 was not adjusted. No new borrowing agreements were signed during the 2011 fiscal year.

— **Cumulative Translation Differences**

Retrospective application of IFRS would have required the Corporation to determine the amount of cumulative exchange differences on translation of foreign operations in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", from the date at which a subsidiary or an entity subject to significant influence was formed or acquired. IFRS 1 allows cumulative exchange differences on translation of foreign operations for all foreign operations to be deemed zero at the date of transition to IFRS. The Corporation elected to reset to zero all foreign exchange gains and losses in the retained income opening balance at the transition date (see Note 18 c).

Differences in Presentation

Certain presentation differences between previous GAAP and IFRS have no impact on net income or shareholders' equity. As shown in the following tables, some of the items are described differently under IFRS compared to GAAP, although the assets and liabilities included in these items are unaffected.

Previous Wording	Note	Reconciliation of Financial Position as at February 1, 2010				New Wording
		Previous GAAP	*Impact of translation to IFRS*	*Reclassification*	*IFRS*	
(In thousands of CA$)		$	$	$	$	
ASSETS						**ASSETS**
Current						Current assets
Cash and cash equivalents		5,770	—	—	5,770	Cash and cash equivalents
Short-term investments		11,652	—	—	11,652	Short-term investments
Accounts receivable	e	14,850	—	(1,429)	13,421	Accounts receivable
Income taxes		442	—	—	442	Current income tax assets
Holdbacks on contracts		2,692	—	—	2,692	Holdbacks on contracts
Investment tax credits	e	536	—	(536)	—	
Work in progress		1,574	—	—	1,574	Work in progress
Inventories		3,093	—	—	3,093	Inventories
Prepaid expenses	e	334	—	1,965	2,299	Prepaid expenses and other current assets
Derivative financial instruments		832	—	—	832	Derivative financial instruments
Future income tax assets	a	3,182	(3,182)	—	—	
		44,957	(3,182)	—	41,775	Total current assets
						Non-current assets
Holdbacks on long-term contracts		1,297	—	—	1,297	Holdbacks on contracts
Investment tax credits	e	2,065	—	(2,065)	—	
Property, plant and equipment	b,c	42,760	4,678	—	47,438	Property, plant and equipment
Intangible assets		2,590	—	—	2,590	Intangible assets
Other assets	e	247	—	2,065	2,312	Other non-current assets
Future income tax assets	a	9,452	2,117	—	11,569	Deferred income tax assets
		103,368	3,613	—	106,981	Total assets
LIABILITIES						**LIABILITIES**
Current						Current liabilities
Accounts payable	e	1,955	—	3,694	5,649	Accounts payable and other current liabilities
Accrued charges	e	994	—	(994)	—	
Salaries and fringe benefits payable	e	1,732	—	(1,732)	—	
Deferred revenues		2,242	—	(968)	1,274	Deferred revenues
Current portion of long-term debt		2,422	—	—	2,422	Current portion of long-term debt
		9,345	—	—	9,345	Total current liabilities
						Non-current liabilities
Long-term debt		4,645	—	—	4,645	Long-term debt
Future income tax liabilities	a,b	713	(309)	—	404	Deferred income tax liabilities
		14,703	(309)	—	14,394	Total liabilities
SHAREHOLDERS' EQUITY						**SHAREHOLDERS' EQUITY**
Retained earnings	b,c,d	9,799	3,549	—	13,348	Retained income
Accumulated other comprehensive income	c	144	—	—	144	Accumulated other comprehensive income
		9,943	3,549	—	13,492	
Capital stock	d	75,351	85	—	75,436	Capital stock
Contributed surplus	d	3,371	288	—	3,659	Contributed surplus
		88,665	3,922	—	92,587	Total shareholders' equity
		103,368	3,613	—	106,981	Total liabilities and shareholders' equity

Previous Wording	Note	Reconciliation of Financial Position as at April 30, 2010				New Wording
		Previous GAAP	*Impact of translation to IFRS*	*Reclassification*	*IFRS*	
(In thousands of CA$)		$	$	$	$	
ASSETS						**ASSETS**
Current						Current assets
Cash and cash equivalents		7,902	—	—	7,902	Cash and cash equivalents
Short-term investments		11,562	—	—	11,562	Short-term investments
Accounts receivable	e	19,552	—	(1,823)	17,729	Accounts receivable
Income taxes		103	—	—	103	Income tax assets
Holdbacks on contracts		1,698	—	—	1,698	Holdbacks on contracts
Investment tax credits		536	—	(536)	–	
Work in progress		1,706	—	—	1,706	Work in progress
Inventories		3,488	—	—	3,488	Inventories
Prepaid expenses	e	523	—	2,359	2,882	Prepaid expenses and other current assets
Derivative financial instruments		1,211	—	—	1,211	Derivative financial instruments
Future income tax assets	a	3,211	(3,211)	—	—	
		51,492	(3,211)	—	48,281	Total current assets
						Non-current assets
Holdbacks on long-term contracts		664	—	—	664	Holdbacks on contracts
Investment tax credits	e	2,065	—	(2,065)	—	
Property, plant and equipment	c	43,775	4,666	—	48,441	Property, plant and equipment
Intangible assets		2,625	—	—	2,625	Intangible assets
Other assets	e	244	—	2,065	2,309	Other non-current assets
Future income tax assets	a	7,742	2,172	—	9,914	Deferred income tax assets
		108,607	3,627	—	112,234	Total assets
LIABILITIES						**LIABILITIES**
Current						Current liabilities
Accounts payable	e	2,978	—	2,839	5,817	Accounts payable and other current liabilities
Accrued charges	e	876	—	(876)	—	
Salaries and fringe benefits payable		1,963	—	(1,963)	—	
Deferred revenues		1,682	—	—	1,682	Deferred revenues
Current portion of long-term debt		2,508	—	—	2,508	Current portion of long-term debt
		10,007	—	—	10,007	Total current liabilities
						Non-current liabilities
Long-term debt		8,034	—	—	8,034	Long-term debt
Future income tax liabilities	a,b	591	(285)	—	306	Deferred income tax liabilities
		18,632	(285)	—	18,347	Total liabilities
SHAREHOLDERS' EQUITY						**SHAREHOLDERS' EQUITY**
Retained earnings	b,c,d	10,997	4,332	—	15,329	Retained income
Accumulated other comprehensive income	c	144	(749)	—	(605)	Accumulated other comprehensive income
		11,141	3,583	—	14,724	
Capital stock	d	75,425	84	—	75,509	Capital stock
Contributed surplus	d	3,409	245	—	3,654	Contributed surplus
		89,975	3,912	—	93,887	Total shareholders' equity
		108,607	3,627	—	112,234	Total liabilities and shareholders' equity

Previous Wording	Note	Reconciliation of Financial Position as at January 31, 2011 Previous GAAP	Impact of translation to IFRS	Reclassification	IFRS	New Wording
(In thousands of CA$)		$	$	$	$	
ASSETS						**ASSETS**
Current						Current assets
Cash and cash equivalents		18,677	—	—	18,677	Cash and cash equivalents
Short-term investments		2,787	—	—	2,787	Short-term investments
Accounts receivable	e	22,802	—	(587)	22,215	Accounts receivable
Holdbacks on contracts		167	—	—	167	Holdbacks on contracts
Work in progress		403	—	—	403	Work in progress
Inventories		3,865	—	—	3,865	Inventories
Prepaid expenses	e	398	—	587	985	Prepaid expenses and other current assets
Derivative financial instruments		741	—	—	741	Derivative financial instruments
Future income tax assets	a	4,952	(4,952)	—	—	
		54,792	(4,952)	—	49,840	Total current assets
						Non-current assets
Holdbacks on long-term contracts		3,562	—	—	3,562	Holdbacks on contracts
Investment tax credits	e	2,601	—	(2,601)	—	
Property, plant and equipment	b,c	42,227	4,644	—	46,871	Property, plant and equipment
Intangible assets		2,601	—	—	2,601	Intangible assets
Other assets	e	251	—	2,601	2,852	Other non-current assets
Future income tax assets	a	2,424	4,536	—	6,960	Deferred income tax assets
		108,458	4,228	—	112,686	Total assets
LIABILITIES						**LIABILITIES**
Current						Current liabilities
Accounts payable and accrued charges		5,365	—	—	5,365	Accounts payable and other current liabilities
Income taxes		159	—	—	159	Income tax liabilities
Deferred revenues		4,994	—	—	4,994	Deferred revenues
Derivative financial instruments		45	—	—	45	Derivative financial instruments
Future income tax liabilities	a	62	(62)	—	—	
Current portion of long-term debt		2,513	—	—	2,513	Current portion of long-term debt
		13,138	(62)	—	13,076	Total current liabilities
						Non-current liabilities
Long-term debt		6,151	—	—	6,151	Long-term debt
Future income tax liabilities	a,b	33	392	—	425	Deferred income tax liabilities
		19,322	330	—	19,652	Total liabilities
SHAREHOLDERS' EQUITY						**SHAREHOLDERS' EQUITY**
Retained earnings	b,c,d	13,542	5,197	—	18,739	Retained income
Accumulated other comprehensive income	c	144	(1,621)	—	(1,477)	Accumulated other comprehensive income
		13,686	3,576	—	17,262	
Capital stock	d	69,950	82	—	70,032	Capital stock
Contributed surplus	d	5,500	240	—	5,740	Contributed surplus
		89,136	3,898	—	93,034	Total shareholders' equity
		108,458	4,228	—	112,686	Total liabilities and shareholders' equity

Reconciliation of Shareholders' Equity as at:	Note	February 1, 2010	April 30, 2010	January 31, 2011
(In thousands of CA$, except per-share amounts)		$	$	$
Capital stock under previous GAAP		75,351	75,425	69,950
Net impact of translation to IFRS on share-based compensation	d	85	84	82
Capital stock under IFRS		75,436	75,509	70,032
Contributed surplus under previous GAAP		3,371	3,409	5,500
Net impact of translation to IFRS on share-based compensation	d	288	245	240
Contributed surplus under IFRS		3,659	3,654	5,740
Accumulated other comprehensive income under previous GAAP		144	144	144
Net impact of the change in the functional currencies of foreign operations	c	—	(749)	(1,621)
Accumulated other comprehensive income under IFRS		144	(605)	(1,477)
Retained earnings under previous GAAP		9,799	10,997	13,542
Net impact on the recovery of a property, plant and equipment impairment	b	694	687	668
Net impact of the land's reassessment as per the election under IFRS 1	b	3,223	3,223	3,223
Net impact of the change in the functional currencies of foreign operations	c	5	751	1,628
Net impact of translation to IFRS on share-based compensation	d	(373)	(329)	(322)
Retained income under IFRS		13,348	15,329	18,739
Shareholders' equity under previous GAAP		88,665	89,975	89,136
Total adjustments	b,c,d	3,922	3,912	3,898
Shareholders' equity under IFRS		92,587	93,887	93,034

Previous Wording	Note	Reconciliation of Net Income For the 3-Month Period Ended April 30, 2010				New Wording
		Previous GAAP	*Impact of translation to IFRS*	*Reclassification*	*IFRS*	
(In thousands of CA$, except per-share amounts)		$	$	$	$	
Revenues		13,641	—	—	13,641	**Revenues**
Cost of goods sold	b,c,e	9,060	6	674	9,740	Cost of goods sold
Gross margin before foreign exchange variation	e	4,581	(6)	(674)	3,901	Gross margin
	d,e		(44)	1,522	1,478	Selling and administrative expenses
	e	—	—	(22)	(22)	Financial revenues
		—	—	72	72	Finance charges
Gain on foreign exchange	c	(424)	(743)	—	(1,167)	Foreign exchange gain
	e	(424)	(787)	1,572	361	
Gross margin	e	5,005	—	(5,005)	—	
Selling and administrative expenses	e	1,426	—	(1,426)	—	
Earnings before undernoted items:	e	3,579	—	(3,579)	—	
Amortization		—	—	—	—	
Amortization of property, plant and equipment	e	686	—	(686)	—	
Amortization of intangible assets	e	84	—	(84)	—	
	e	770	—	(770)	—	
Earnings before financial charges (interest income) and income taxes	e	2,809	—	(2,809)	—	
Financial charges (interest income)	e	50	—	(50)	—	
Earnings before income taxes		2,759	781	—	3,540	Income before income tax expense
Income taxes	b	1,561	(2)	—	1,559	Income tax expense
Net earnings and comprehensive income		1,198	783	—	1,981	**Net income for the period**
Basic earnings per share		0.03	—	—	0.06	**Basic earnings per share**
Diluted earnings per share		0.03	—	—	0.06	**Diluted earnings per share**

Previous Wording	Note	Reconciliation of Comprehensive Income For the 3-Month Period Ended April 30, 2010				New Wording
		Previous GAAP	*Impact of translation to IFRS*	*Reclassification*	*IFRS*	
(In thousands of CA$)		$	$	S	$	
Net earnings		1,198	783	—	1,981	**Net income for the period**
Other comprehensive income						**Other comprehensive income**
	c	—	(749)	—	(749)	Exchange differences on translation of foreign operations
Comprehensive income		1,198	34	—	1,232	**Comprehensive income for the period**

Previous Wording	Note	Reconciliation of Net Income For the Fiscal Year Ended January 31, 2011				New Wording
		Previous GAAP	*Impact of translation to IFRS*	*Reclassification*	*IFRS*	
(In thousands of CA$, except per-share amounts)		$	$	S	$	
Revenues		55,268	—	—	55,268	**Revenues**
Cost of goods sold	b,c,e	38,196	24	2,912	41,132	Cost of goods sold
Gross margin before foreign exchange variation	e	17,072	(24)	(2,912)	14,136	Gross margin
	d,e	—	(51)	6,649	6,598	Selling and administrative expenses
	e	—	—	(293)	(293)	Financial revenues
		—	—	392	392	Finance charges
(Gain) loss on foreign exchange	c	(875)	(1,611)	—	(2,486)	Foreign exchange gain
	e	(875)	(1,662)	6,748	4,211	
Gross margin	e	17,947	—	(17,947)	—	
Selling and administrative expenses	e	6,201	—	(6,201)	—	
Earnings before undernoted items:	e	11,746	—	(11,746)	—	
Amortization						
Amortization of property, plant and equipment	e	3,021	—	(3,021)	—	
Amortization of intangible assets	e	339	—	(339)	—	
	e	3,360	—	(3,360)	—	
Earnings before finance charges (interest income) and income taxes	e	8,386	—	(8,386)	—	
Finance charges (interest income)	e	99	—	(99)	—	
Earnings before income taxes	e	8,287	1,638	—	9,925	Income before income tax expense
Income taxes	b	4,544	(10)	—	4,534	Income tax expense
Net earnings and comprehensive income		3,743	1,648	—	5,391	**Net income for the year**
Basic earnings per share		0.11	—	—	0.16	**Basic earnings per share**
Diluted earnings per share		0.11	—	—	0.16	**Diluted earnings per share**

Previous Wording	Note	Reconciliation of Comprehensive Income For the Fiscal Year Ended January 31, 2011				New Wording
		Previous GAAP	*Impact of translation to IFRS*	*Reclassification*	*IFRS*	
(In thousands of CA$)		$	$	S	$	
Net earnings		3,743	1,648	—	5,391	**Net income for the year**
Other comprehensive income						**Other comprehensive income**
	c	—	(1,621)	—	(1,621)	Exchange differences on translation of foreign operations
Comprehensive income		3,743	27	—	3,770	**Comprehensive income for the year**

Previous Wording	Previous GAAP	Note c	Notes b and d	Note [1]	IFRS	New Wording
	Reconciliation of Cash Flows For the 3-Month Period Ended April 30, 2010					
(In thousands of CA$)	$	$	$	$	$	
OPERATING ACTIVITIES						**OPERATING ACTIVITIES**
Net earnings	1,198	746	37	—	1,981	Net income
Adjustment for:						Non-cash items:
Amortization of property, plant and equipment	686	(3)	9	—	692	Amortization of property, plant and equipment
Amortization of intangible assets	84	—	—	—	84	Amortization of intangible assets
Gain on disposal of property, plant and equipment	(52)	—	—	—	(52)	Gain on disposal of property, plant and equipment
Unrealized gain on derivative financial instruments	(379)	—	—	—	(379)	Unrealized gain on derivative financial instruments
Non-cash exchange(gain) loss	(191)	(305)	—	—	(496)	Non-cash exchange gain
Interest capitalized on long-term debt	4	—	—	(4)	—	
	—	—	—	(22)	(22)	Financial revenues
	—	—	—	72	72	Finance charges
Stock-based compensation	100	—	(44)	—	56	Share-based compensation
Future income taxes	1,440	—	(2)	121	1,559	Income tax expense
Net earnings adjusted for non-monetary items	2,890	438	—	167	3,495	Net income adjusted for non-cash items
Changes in non-cash operating items	(2,876)	(310)	—	85	(3,101)	Changes in non-cash working capital items
	—	—	—	(191)	(191)	Income tax expense paid
Cash flow from operating activities	14	128	—	61	203	Cash flow from (used in) operating activities
INVESTING ACTIVITIES						**INVESTING ACTIVITIES**
Disposal of short-term investments	90	(127)	—	(94)	(131)	Acqusition of short-term investments
	—	—	—	94	94	Interest received
Acquisition of property, plant and equipment	(1,649)	—	—	—	(1,649)	Acquisition of property, plant and equipment
Acquisition of intangible assets	(119)	(1)	—	—	(120)	Acquisition of intangible assets
Decrease in other assets	3	—	—	—	3	Reduction in other non-current assets
Cash flow applied to investing activities	(1,675)	(128)	—	—	(1,803)	Cash flows from (used in) investing activities
FINANCING ACTIVITIES						**FINANCING ACTIVITIES**
Issuance of long-term debt	4,370	—	—	—	4,370	Issuance of long-term debt
Repayment of long-term debt	(411)	—	—	—	(411)	Repayment of long-term debt
	—	—	—	(61)	(61)	Interest paid
Issuance of subordinate voting shares	162	—	—	—	162	Issuance of subordinate voting shares
Redemption of subordinate voting shares	(150)	—	—	—	(150)	Redemption of subordinate voting shares
Cash flow from financing activities	3,971	—	—	(61)	3,910	Cash flows from (used in) financing activities
Impact of fluctuations in foreign exchange rate on cash	(178)	—	—	—	(178)	Impact of fluctuations in foreign exchange rate on cash
Net cash inflows	2,132	—	—	—	2,132	Net increase in cash and cash equivalents
Cash and cash equivalents, beginning of period	5,770	—	—	—	5,770	Cash and cash equivalents, beginning of period
Cash and cash equivalents, end of period	7,902	—	—	—	7,902	**Cash and cash equivalents, end of period**

1. Under previous GAAP, interest paid (received) and income tax paid included in the determination of net income, were disclosed separately as supplementary cash flows information. Under IFRS, interest paid (received) and income tax paid, are included into the body of the Statement of Cash Flows as separate items.

Previous Wording	Previous GAAP	Note c	Notes b and d	Note [1]	IFRS	New Wording
	Reconciliation of Cash Flows For the Fiscal Year Ended January 31, 2011					
(In thousands of CA$)	$	$	$	$	$	
OPERATING ACTIVITIES						**OPERATING ACTIVITIES**
Net earnings	3,743	1,623	25	—	5,391	Net income
Adjustment for:						Non-cash items:
Amortization of property, plant and equipment	3,021	(12)	36	—	3,045	Amortization of property, plant and equipment
Amortization of intangible assets	339	—	—	—	339	Amortization of intangible assets
Gain on disposal of property, plant and equipment	(52)	—	—	—	(52)	Gain on disposal of property, plant and equipment
Unrealized loss on derivative financial instruments	136	—	—	—	136	Unrealized loss on derivative financial instruments
Non-cash exchange loss	266	(866)	—	—	(600)	Non-cash exchange gain
Interest capitalized on long-term debt	15	—	—	(15)	—	
	—	—	—	(293)	(293)	Financial revenues
	—	—	—	392	392	Finance charges
Stock-based compensation	288	—	(51)	—	237	Share-based compensation
Future income taxes	4,011	—	(10)	533	4,534	Income tax expense
Net earnings adjusted for non-monetary items	11,767	745	—	617	13,129	Net income adjusted for non-cash items
Changes in non-cash operating working capital items	(3,320)	(580)	—	(424)	(4,324)	Changes in non-cash working capital items
	—	—	—	(393)	(393)	Income tax expense paid
	8,447	165	—	(200)	8,412	Cash flows from (used in) operating activities
INVESTING ACTIVITIES						**INVESTING ACTIVITIES**
Disposal of short-term investments	8,865	(165)	—	(104)	8,596	Disposal of short-term investments
			—	629	629	Interest received
Net acquisition of property, plant and equipment	(2,302)	—	—	—	(2,302)	Net acquisition of property, plant and equipment
Net acquisition of intangible assets	(350)	—	—	—	(350)	Net acquisition of intangible assets
Increase in other assets	(4)	—	—	—	(4)	Reduction in other non-current assets
	6,209	(165)	—	525	6,569	Cash flows from (used in) investment activities
FINANCING ACTIVITIES						**FINANCING ACTIVITIES**
Issuance of long-term debt	4,370	—	—	—	4,370	Issuance of long-term debt
Repayment of long-term debt	(2,333)	—	—	—	(2,333)	Repayment of long-term debt
	—	—	—	(325)	(325)	Interest paid
Issuance of subordinate voting shares	176	—	—	—	176	Issuance of subordinate voting shares
Redemption of subordinate voting shares	(3,736)	—	—	—	(3,736)	Redemption of subordinate voting shares
	(1,523)	—	—	(325)	(1,848)	Cash flows from (used in) financing activities
Impact of fluctuations in foreign exchange rate on cash	(226)	—	—	—	(226)	Impact of fluctuations in foreign exchange rate on cash
Cash inflows	12,907	—	—	—	12,907	Net increase in cash and cash equivalents,
Cash and cash equivalents, beginning of year	5,770	—	—	—	5,770	Cash and cash equivalents, beginning of year
Cash and cash equivalents, beginning of year	18,677	—	—	—	18,677	**Cash and cash equivalents, beginning of year**

1. Under previous GAAP, interest paid (received) and income tax paid included in the determination of net income, were disclosed separately as supplementary cash flows information. Under IFRS, interest paid (received) and income tax paid, are included into the body of the Statement of Cash Flows as separate items.

EXPLANATORY NOTES

a) **Reclassification of Deferred Tax Assets and Deferred Tax Liabilities**

Under previous GAAP, when a company segregated its assets and liabilities between current and non-current assets and liabilities, the current and non-current portions of deferred income tax assets and deferred income tax liabilities were also segregated. Under IFRS, when an entity classifies its Statement of Financial Position by presenting current assets and liabilities separately from non-current assets and liabilities, it needs to classify deferred income tax assets and deferred income tax liabilities as non-current assets and non-current liabilities.

Consequently, a deferred tax asset of $3,182,000 included in current assets was reclassified to non-current assets for an amount of $2,117,000 on the date of transition and for an amount of $1,065,000 in reduction of a deferred income tax liability included in non-current liabilities.

As at January 31, 2011, a deferred income tax asset of $4,952,000 included in current assets was reclassified to non-current assets for amounts of $4,536,000 and $416,000 in reduction of deferred income tax liabilities included in non-current liabilities. In addition, on the same date, a deferred income tax liability of $62,000 included in current liabilities was reclassified in non-current liabilities.

As at April 30, 2010, a deferred income tax asset of $3,211,000 included in current assets was reclassified to non-current assets for amounts of $2,172,000 and $1,039,000 in reduction of deferred income tax liabilities included in non-current liabilities.

b) **Property, Plant and Equipment**

– ***Reassessment as Deemed Cost***

As previously described, in accordance with the elective exemptions under IFRS 1, the Corporation elected to assess its land at fair value and designate this fair value as its deemed cost on the date of transition. This reappraisal increased the land's carrying amount by $3,724,000 as at February 1, 2010, April 30, 2010 and January 31, 2011, and increased the deferred income tax liability by $501,000, representing a net impact of $3,223,000 in retained income on February 1, 2010.

– ***Impairment of Assets***

During the fiscal year ended January 31, 2004, the Corporation recorded an impairment of assets in accordance with previous GAAP. However, the provisions of previous GAAP did not allow for the recovery of impairment. Under IFRS, the Corporation applied IAS 36 "Impairment of Assets" which stipulates that an entity shall assess at the end of each reporting period whether there is any indication that an impairment recognized in prior periods for an asset, other than goodwill, may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset which is the recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Consequently, since the recoverable amount of the impaired assets exceeds the carrying amount and that events and circumstances resulting in the impairment no longer exist at the date of transition, this impairment is therefore no longer required. To restore the carrying amount of the impaired property, plant and equipment to their carrying amount that would have been determined after amortization had no impairment been previously recognized, a favourable adjustment of $949,000 increased the carrying amount of the buildings on February 1, 2010 and an amount of $255,000 increased the deferred income tax liability, representing a favourable net adjustment of $694,000 in retained income as at February 1, 2010.

However, after the recognition of this impairment reversal, the amortization expense for the asset was adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life. The adjustments to income are summarized as follows:

	Consolidated Statements of Income	
	3-Month Period Ended April 30, 2010	12-Month Period Ended January 31, 2011
(In thousands of CA$)	$	$
Amortization of property, plant and equipment	9	36
Income tax expense	(2)	(10)
Net impact on net income	7	26

Therefore, the overall impact in the Consolidated Statement of Financial Position of the translation to IFRS on property, plant and equipment for the reassessment of the land and the recovery of impairment is as follows:

	Consolidated Statements of Financial Position		
As at	February 1, 2010	April 30, 2010	January 31, 2011
(In thousands of CA$)	$	$	$
Property, plant and equipment – Adjustment of the cost for the reassessment of the land	3,724	3,724	3,724
Property, plant and equipment – Reduction in accumulated amortization related to the recovery of impairment	949	940	913
Property, plant and equipment – Net value	4,673	4,664	4,637
Deferred income tax liabilities	(756)	(754)	(746)
Net impact on retained income	3,917	3,910	3,891

c) **Effects of Changes in Foreign Exchange Rates**

Under Canadian GAAP, the classification between an integrated and self-sustaining foreign operation is based on criteria of independence, which require professional judgment of the foreign operations' specific economic facts and circumstances.

Under IFRS, the foreign operation cannot be classified as an integrated or self-sustaining foreign operation. The entity must identify its own functional currency and measure its financial position and its income in that currency. The functional currency, which is determined by the primary economic environment in which the entity operates, must be assessed by taking into account three key indicators, two soft indicators and four complementary indicators should the entity be a foreign operation.

The functional currency of each entity included in the Corporation's financial statements was assessed using the indicators specified under IFRS. Following these analyses, the Corporation concluded that the functional currency of its U.S. operations was the U.S. dollar. This change impacted the rates used to convert each unit's operations. This change only had an impact on the rate used to convert property, plant and equipment (which must represent the closing rate under IFRS, rather than the original rate under Canadian GAAP) held by the foreign operations and the amortization expense related of these property, plant and equipment (which must correspond to the average rate under IFRS, instead of the original rate under Canadian GAAP).

In addition, in light of this change, the translation gains or losses resulting from the conversion of the foreign operations' financial statements are recognized in the Statement of Comprehensive Income.

These changes had the impact of transferring the accumulated foreign exchange gain under previous GAAP of $16,802,000 in reduction of the retained income and increased the accumulated other comprehensive income by $16,807,000, and the net value of the property, plant and equipment by $5,000.

Furthermore as previously mentioned, in accordance with the elective exemptions under IFRS 1, the Corporation elected to reset to zero all foreign exchange gains and losses in the retained income opening balance at the transition date. Consequently, the cumulative translation differences under IFRS at the date of transition, amounting to $16,807,000, decreased the accumulated other comprehensive income and increased the retained income by the same amount.

	Consolidated Statements of Income	
	3-Month Period Ended April 30,2010	12-Month Period Ended January 31, 2011
(In thousands of CA$)	$	$
Amortization of property, plant and equipment	(3)	(12)
Income tax expense	(743)	(1,611)
Net impact on net income	(746)	(1,623)

As at	Consolidated Statements of Financial Position February 1, 2010	April 30, 2010	January 31, 2011
(In thousands of CA$)	$	$	$
Property, plant and equipment - Cost	(241)	(281)	(285)
Property, plant and equipment – Accumulated amortization	246	283	292
Net impact on property, plant and equipment	5	2	7
Exchange differences on translation of foreign operations	16,807	(749)	(1,621)
Election in accordance with IFRS 1	(16,807)	—	—
Net impact on accumulated other comprehensive income	—	(749)	(1,621)
Net impact of the transition to IFRS	(16,802)	751	1,628
Election in accordance with IFRS 1	16,807	—	—
Net impact on on retained income	5	751	1,628

d) **Share-Based Payment**

IFRS 2 "Share-Based Payment" requires that stock option grant tranches with different vesting dates be recognized separately and fair value determined for each grant. As at February 1, 2010, each tranche's compensation cost was recalculated using the new method and amortized over their respective vesting period, the consequences of which are as follows:

	Consolidated Statements of Income 3-Month Period Ended April 30,2010	12-Month Period Ended January 31, 2011
(In thousands of CA$)	$	$
Selling and administrative expenses	(44)	(51)

As at	Consolidated Statements of Financial Position February 1, 2010	April 30, 2010	January 31, 2011
(In thousands of CA$)	$	$	$
Increase in share-based compensation following the conversion to IFRS	373	329	322
Differences relating to the conversion to IFRS on exercised options	(85)	(84)	(82)
Net impact on contributed surplus	288	245	240
Differences relating to the conversion to IFRS on exercised options	85	84	82
Net impact on shareholders' equity	85	84	82
Increase in share-based compensation following the conversion to IFRS	(373)	(329)	(322)
Net impact on retained income	(373)	(329)	(322)

e) **Reclassification**

Some of the comparative information has been reclassified in the consolidated financial statements to comply with the new reporting under IFRS.

f) **Additional Annual Information to be Disclosed Under IFRS**

Certain annual financial information to be disclosed in accordance with IFRS for the fiscal year ended January 31, 2011, which had not been disclosed in the annual financial statements under previous GAAP, is disclosed below. Certain information to be disclosed that is normally disclosed in annual financial statements under IFRS has been omitted or condensed as it was not considered significant and essential for the comprehension of the financial data of the reporting period.

— ***Changes in Accounting Estimates***

During the three-month period ended July 31, 2010, the Corporation revised the amortization method for certain property, plant and equipment and intangible assets in order to better reflect their degree of use over time. These changes, as described in Note 2 e) to the annual consolidated financial statements as at January 31, 2011, have been applied prospectively from May 1, 2010. The impact on amortization expenses for the fiscal year ended January 31, 2011 and subsequent years, is summarized as follows:

AMORTIZATION EXPENSES

Fiscal years ending January 31,	2011	2012 [1]	2013	2014	2015 and subsequent years
	$	$	$	$	$
Amortization of property, plant and equipent	222	188	174	179	(763)
Amortization of intangible assets	(10)	(8)	(6)	(3)	27
	212	180	168	176	(736)

1. These changes in accounting estimates increased the amortization of property, plant and equipment and intangible assets by $45,000 for the three month period ended April 30, 2011, compared with the same period ended April 30, 2010.

— ***Property, Plant And Equipent***

Application of IFRS had an impact on the net value of property, plant and equipment, as described previously in Note b) to the explanatory notes. Only a portion of the property, plant and amortization table described in Note 7 to the annual consolidated financial statements dated January 31, 2011, would have changed under IFRS:

	Land	**Buildings and Land Improvement**
(In thousands of $)	$	$
As at February 1, 2010		
Cost	4,251	37,510
Accumulated amortization	—	(9,978)
Net book value	4,251	27,532
Balance on February 1, 2010	4,251	27,532
Acquisitions	—	586
Disposals	—	—
Amortization expenses	—	(1,114)
Balance on January 31, 2011	4,251	27,004
As at January 31, 2011		
Cost	4,251	38,014
Accumulated amortization	—	(11,010)
Net book value	4,251	27,004

— ***Earnings Per Share***

Diluted earnings per share were calculated using the treasury stock method. The following table reconciles the numerator and denominator used in the calculation of basic and diluted earnings per share.

Fiscal Year Ended January 31,	2011
	$
Numerator (in thousands of CA$)	
Numerator applicable to basic and diluted earnings per share	5,391
Denominator (in units)	
Weighted average number of shares - basic	33,642
Effect of dilutive instruments:	
— Stock options	659
Weighted average number of shares - diluted	34,301

For the purpose of computing diluted earnings per share, the Corporation must account for stock options as a dilutive instrument.

For the fiscal year ended January 31, 2011, only 1,011,863 stock options were included in the computation of diluted earnings per share since the other options were antidilutive.

— ***Classification of Expenses by Nature***

Fiscal Year Ended January 31,	2011
(In thousands of CA$)	$
Electricity and heating	647
Taxes and permits	677
Maintenance and repairs	712
Other	959
Travelling expenses and representation	1,250
Professional fees	1,269
Transport	1,305
Professional fees	1,486
Drafting and engineering	2,954
Amortization expenses	3,384
Raw material, consumables and subcontracting	15,888
Employees' benefit expenses	17,199
	47,730
Distributed as follows:	
Cost of goods sold	41,132
Selling and administrative expenses	6,598
	47,730

— ***Employees' Benefit Expenses***

Fiscal Year Ended January 31,	2011
(In thousands of CA$)	$
Salaries and other short-term benefits	14,173
Social security cost	2,488
Pension plan contributions	302
Share-based compensation	236
	17,199

— ***Related-Party Transactions***

The Corporation's principal executive officers are members of the Board of Directors and members of the Management Committee of ADF Group Inc. (the parent company) and their related persons. Their compensation includes the following expenses:

Fiscal Year Ended January 31,	2011
(In thousands of CA$)	$
Salaries and other short-term benefits	519
Social security cost	83
Pension plan contributions	22
Share-based compensation	228
Other	257
	1,109

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QUARTERLY REPORT 1

Three-Month Period Ended April 30, 2011

ADF GROUP INC.
300 Henry-Bessemer
Terrebonne, Quebec
Canada J6Y 1T3

Tel. 450.965.1911
Toll free 1.800.263.7560
Fax 450.965.8558

infos@adfgroup.com
www.adfgroup.com