

Quarterly Report 1

For the three-month period ended April 30, 2008



Complex Steel Components
for the Construction Industry

First Quarter Ended April 30, 2008

Fiscal 2008-2009 is off to a strong start at ADF Group. In our last Annual Report, we forecasted revenues of \$80 million to \$100 million for the current fiscal year. Based on results for our first quarter ended April 30, 2008, and on our order backlog, we can confirm we are on track to achieve this objective, especially since the non-residential construction industry remain very dynamic and should foster sustained growth in our business.

The significant increase in our order backlog, particularly in fabrication operations, raised our revenues for the first quarter to \$25.2 million, up 130% over the same period of the previous year.

We achieved a solid gross margin before foreign exchange variation, which grew by 81% to \$7.1 million, or 28% of first-quarter revenues. In addition to the revenue increase, this margin was positively affected by our order execution efficiency.

We continue to tightly control our operating costs, and although our revenues were up substantially, our selling and administrative expenses remained stable, representing 5% of revenues, versus 11% for the same quarter a year earlier. On account of the significant reduction in debt during prior periods and considering the liquidities on hand, our financial expenses decreased considerably, to represent only 0.4% of revenues. Hence, net earnings jumped 131% to \$3.2 million or \$0.09 basic and diluted per share. Our operating activities provided cash flows of \$2.9 million, of which \$0.4 million was used to repay long-term debt and \$2.3 million was primarily invested in production equipment, consistent with our ongoing facility and plant efficiency enhancement program.

We are pleased with this performance and the steady improvement in our financial position. We ended the period as at April 30, 2008 with working capital of more than \$28 million and an increase of some 5% in shareholders' equity, reflecting our operating profitability, and our long-term debt below the \$10 million mark.

In January of this year, we were the first Canadian company to introduce new automated multi-purpose fabrication equipment, designed, among other things, for fabrication of heavy and complex steel components. This overall upgrading will enable us to operate even more efficiently and cost-effectively and to thereby enhance our ability to meet the highest standards of quality.

All our projects are progressing at a good pace and on schedule; as at April 30, 2008, our order backlog totalled \$148 million, compared with \$64 million a year earlier, an increase of 131%. According to our strategy focused on value-added business, 73% of this order backlog consists of fabrication work, 16% involves supplying the raw material, 8% is installation work and 3% is engineering. This order backlog will be executed over a period of six to 18 months.

During the first quarter, we booked an additional \$5.2 million order at Miami International Airport to supply the raw material, connection design and engineering, fabrication and installation of the steel superstructures at an existing terminal.

We are in the bidding process for various projects totalling some \$395 million. We are therefore confident we will win new orders in the next few months, while continuing to improve our performance indicators. We are better positioned than ever to pursue our profitable growth in upcoming quarters.

(Signature)

Jean Paschini
Chairman of the Board and Chief Executive Officer

Terrebonne, Quebec, June 4, 2008

First Quarter Ended April 30, 2008

(Dated June 4 2008)

1 GENERAL

Management's discussion and analysis of operating results and changes in financial position ("MD&A") of ADF Group Inc. ("ADF" or the "Corporation") concerns the first quarter ended April 30, 2008, compared with the first quarters ended April 30, 2007 and 2006, as well as the Corporation's financial position at those dates. This MD&A should be read in conjunction with the Corporation's consolidated financial statements and related notes appearing in this Interim Report, as well as with the Corporation's audited consolidated financial statements for the fiscal year ended January 31, 2008.

Management's discussion and analysis of operating results and changes in financial position for the first quarter ended April 30, 2008, covers all major events that occurred between February 1, 2008 and June 4, 2008, on which date ADF Group's Board of Directors approved the management's discussion and analysis and the consolidated financial statements for the first quarter ended April 30, 2008.

All amounts and tabular figures herein are expressed in thousands of Canadian \$, unless otherwise specified.

During the first quarter ended April 30, 2008 and prior quarters, the Corporation used the following exchange rates between the Canadian and US dollars:

	Statements of Earnings and Comprehensive Income (Can\$/US\$)	Balance Sheets (Can\$/US\$)
First quarter - April 30, 2008	1.0053	1.0072
Fourth quarter - January 31, 2008	1.0606	1.0038
Third quarter- October 31, 2007	1.0824	0.9447
Second quarter- July 31, 2007	1.1140	1.0668
First quarter - April 30, 2007	1.1583	1.1101

2 CORPORATE PROFILE

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 selective installation of complex steel superstructures, heavy built-ups, as well as miscellaneous and architectural metalwork for the three principal segments of the non-residential construction market, namely: commercial and institutional buildings (office towers, hotels, convention centres, government buildings, recreational and sports complexes, museums, etc.), industrial complexes (power stations, petrochemical complexes, automotive assembly lines, various manufacturing facilities) and public infrastructures (airport facilities, aerospace complexes, bridges and overpasses). The Corporation operates a modern 58,500-square-metre (630,000-square-foot) fabrication plant in Canada and uses the latest technologies.

A pioneer in the development and implementation of innovative engineering solutions, the Corporation is recognized for its engineering expertise and know-how, its proactive project management, its extensive fabrication capacity and its skills in the fabrication of steel superstructures. Its commitment to deliver every project in accordance with the industry's highest quality standards constitutes a core aspect of the Corporation's mission.

3 FINANCIAL INFORMATION AND FORWARD-LOOKING STATEMENTS

The Corporation's management is responsible for maintaining appropriate information systems, procedures and control systems to ensure that the information disclosed by the Corporation is complete and reliable. The Corporation applies the financial reporting rules and takes the necessary actions to comply with the new accounting standards once they come into force. The Corporation also applies the standards imposed by the capital market regulatory authorities. The Corporation has maintained reporting controls and procedures designed to provide reasonable assurance that material information from the Corporation and its consolidated subsidiaries is publicly disclosed. No important changes to internal reporting controls regarding financial information that had or that could be reasonably believed to have a material impact on internal reporting controls were reported during the three-month period ended April 30, 2008.

The financial information presented herein has been prepared in accordance with the applicable Canadian generally accepted accounting principles ("GAAP"), with the exception of certain financial indicators. In fact, the Corporation regularly measures its operating efficiency using financial indicators, some of which are not defined by GAAP, and are consequently not standard, and thus they lend themselves with difficulty to a comparison with similar measurements presented by other public companies. When such indicators are used, they are defined and the reader is informed.

In addition, in various sections of this MD&A and in other sections of this document, management's expectations regarding the future performance of ADF Group may be discussed. These forward-looking statements are based on currently available data in regards to competition, financial position, economic situation and operating plans, but are subject to certain risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations and the financial position of ADF Group. Important factors, in addition to those presented in this document, could affect the future results of ADF Group and could cause those results to differ materially from those expressed in any forward-looking statements.

4 SIGNIFICANT EVENTS OF THE FIRST QUARTER ENDED APRIL 30, 2008 AND ORDER BACKLOG

Management believes that the following events, which took place between the end of the last fiscal year, being January 31, 2008 and April 30, 2008, are relatively important for any investor seeking to form an opinion about the Corporation's activities and the first quarter financial results.

4.1 Capital Expenditures

The installation of new equipment is progressing as planned and as budgeted.

4.2 Contract Awarded During the First Quarter

ADF Group was awarded an additional contract worth \$5.2 million at Miami International Airport in Florida for the supply of raw materials, connection engineering, fabrication work and the installation of structural steel and miscellaneous metals at an existing terminal.

4.3 Order Backlog

On April 30, 2008, ADF had a total order backlog of \$148 million, compared with \$64 million at the same date last year, which represents a 131% increase. Most contracts will be executed over a 6 to 18 month period. The Corporation is confident it will be awarded additional contracts in the coming quarters, notably given the current number of bids, the strength of the North American non-residential construction market and business opportunities abroad.

5 SELECTED QUARTERLY FINANCIAL INFORMATION

The financial information discussed in the following sections is presented in accordance with Canadian GAAP, unless otherwise indicated.

Three-month periods ended April 30, (In thousands of \$, except per-share amounts)	2008	2007	2006
	\$	\$	\$
Revenues	25,159	10,919	10,467
Earnings before discontinued operations	3,234	1,403	3,078
– Basic per share	0.09	0.05	0.12
– Diluted per share	0.09	0.04	0.11
Total assets	100,660	53,908	48,126
Long-term liabilities	7,511	23,217	27,960
Dividend per share	—	—	—

The analysis of the above table shows an improvement in selected indicators, more specifically:

- An increase in revenues of 130% during the first quarter ended April 30, 2008, compared with comparable periods in 2007 and 2006, stemming primarily from the growth in the backlog and the increase in contracts for which the Corporation also supplies, among others, the raw material as opposed to contracts for which the Corporation supplies direct labor only.
- A significant increase in earnings before discontinued operations during the first quarter ended April 30, 2008, compared with comparable periods in 2007 and 2006, excluding the partial recognition of loss carry-overs of \$0.4 million in the first quarter ended April 30, 2007, and the \$2.5 million gains on forgiveness of interest in the first quarter ended April 30, 2006.
- An increase in assets as at April 30, 2008, over comparable periods in 2007 and 2006, attributable to the recognition of loss carry-overs, R&D expense carry-overs not previously deducted and of investment tax credits in the fiscal year ended January 31, 2008, and an increase in accounts receivable during the first quarter ended April 30, 2008; and.
- A significant reduction in long-term liabilities, consistent with management's goal to reduce the Corporation's indebtedness.

The Corporation did not declare any dividends in the past years, preferring to reinvest its liquidity in its continuing operations and in paying down its debt.

6 ANALYSIS OF OPERATING RESULTS FOR THE FIRST QUARTER ENDED APRIL 30, 2008

6.1 Revenues and Gross Margin

Three-month periods ended April 30, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Revenues	25,159	10,919	14,240	130	10,467	14,692	140
Cost of goods sold	18,044	6,989	11,055	158	7,704	10,340	134
Gross margin before foreign exchange variation	7,115	3,930	3,185	81	2,763	4,352	158
% of revenues	28%	36%	—	(8)%	26%	—	2%
Loss (gain) on foreign exchange	60	439	(379)	(86)	65	(5)	(8)
Gross margin	7,055	3,491	3,564	102	2,698	4,357	161
% of revenues	28%	32%	—	(4)%	26%	—	2%

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a) Revenues

The increase in revenues during the first quarter ended April 30, 2008, compared with the comparable quarters in 2007 and 2006, is explained by the increase in the number of fabrication contracts underway and by an increase in contracts for which the Corporation supplies the raw material, connections engineering and installation in addition to direct labor, and by the specialization of the Corporation's activities in a more complex and higher value-added product niche.

As for economic dependency, three clients accounted for more than 10% of revenues in the first quarter ended April 30, 2008, each representing respectively revenues of \$11.8 million, \$4.8 million and \$2.6 million. Globally, these three clients accounted for 77% of the Corporation's first quarter revenues. Although the Corporation strives to limit the concentration in its revenues, given the nature of its business and market, it is most likely that its business will remain somewhat concentrated between certain clients in the next quarters.

b) Gross Margin Before Foreign Exchange Variation

For the first quarter ended April 30, 2008, the gross margin before foreign exchange variation improved over the corresponding periods in 2007 and 2006, as a result of the increase in revenues and in the number of hours worked in the plant, and the efficient execution of contracts.

The increase in gross margin before foreign exchange variation results from the increase in revenues in dollar value. The gross margin before foreign exchange variation, as a percentage of revenues, fluctuated compared with the first quarter ended April 30, 2007, because of the revenues distribution between the type of contracts the Corporation executed, that is, projects for which ADF supplies labour only, as opposed to projects for which it also supplies the raw material, connections design and engineering and installation. Therefore, as disclosed in the Annual Report for the fiscal year ended January 31, 2008, the gross margin before foreign exchange variation, as a percentage of revenues, was affected downward. For information, at April 30, 2008, 77% of the revenues also included the supply of the raw material, connections design and engineering and installation (48% at April 30, 2007).

During the first quarter ended April 30, 2008, the gross margin was not particularly affected by direct labour cost increases, because such increases did not exceed inflation. Likewise, increases in the costs of raw material (steel) had no significant impact on the gross margin before foreign exchange variation since the majority of the steel orders were made under estimates. In addition, the Corporation includes contingency in its contracts, notably to absorb such increases, as the case may be.

c) Loss (Gain) on Foreign Exchange

During the first quarter ended April 30, 2008, the Canadian dollar fluctuated in a more restricted range in relation to the U.S. dollar, which explains the reduction in the loss on foreign exchange compared with the first quarters in 2007 and 2006, during which time the fluctuations were more important.

The Corporation is exposed to a certain exchange rate risk, due mainly to the fact that its revenues are mostly denominated in U.S. dollars while the majority of its costs, other than raw material, are in Canadian dollars. As at April 30, 2008, the net exchange risk between the assets and liabilities denominated in U.S. dollars was \$31.9 million. Consequently, a \$0.01 fluctuation in the exchange rate between the Canadian and U.S. dollars could result in a \$0.3 million variation on earnings before income taxes.

d) Gross Margin

The gross margin of the first quarter ended April 30, 2008, increased over the first quarter ended April 30, 2007, mainly for the reasons mentioned previously in Section 6.1(b) "Gross Margin Before Foreign Exchange Variation".

6.2 Selling and Administrative Expenses

Three-month periods ended April 30, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Selling and Administrative Expenses	1,215	1,240	(25)	(2)	1,204	11	1
% of revenues	5%	11%	—	(6)%	12%	—	(7)%

Selling and administrative expenses remained stable during the first quarter ended April 30, 2008 compared with the same periods in 2007 and 2006, despite a substantial increase in revenues. However, it should be noted that the selling and administrative expenses during the first quarter ended April 30, 2008, include a \$0.2 million gain on disposal of plant property and equipment counterbalanced by a corresponding increase in professional fees. Globally, this stability is consistent with management's intent to increase revenues more rapidly than selling and administrative expenses.

6.3 Amortization

Three-month periods ended April 30, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Amortization	596	690	(94)	(14)	751	(155)	(21)
% of revenues	2%	6%	—	(4)%	7%	—	(5)%

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The reduction in amortization during the first quarter ended April 30, 2008, over the corresponding periods in 2007 and 2006, is explained by a decrease in the amortization of intangible assets. However, it should be noted that during the fiscal year ended January 31, 2008, the capital expenditures were higher than amortization expenses and continued to be likewise during the first quarter ended April 30, 2008 as a result of which the amortization expenses will gradually increase following the start-up of the new equipment scheduled until the Fall of 2008.

6.4 Financial Charges

Three-month periods ended April 30, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Financial Charges	95	493	(398)	(81)	213	(118)	(55)
% of revenues	0.4%	5%	—	(4.6)%	2%	—	(1.6)%

In general, the financial charges decreased because the credit facility was not used during the first quarter ended April 30, 2008, and also due to the decrease in interest further to the monthly and exceptional repayments of the long-term debt since April 30, 2007, the decline in the floating interest rate applied to the calculation of the monthly interest on the long-term debt and the upward interest income from available liquidities.

As at April 30, 2008, a 1% fluctuation in the effective interest rate would have an impact of about \$0.1 million on earnings before income taxes.

6.5 Other Items

Three-month periods ended April 30, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Other Items	—	—	—	—	(2,548)	2,548	—
% of revenues	—	—	—	—	(24)%	—	—

It should be noted that the amount as at April 30, 2006, corresponds to a partial write-off of interest on the long-term debt by the lender.

6.6 Income Taxes

Three-month periods ended April 30, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Income Taxes	1,195	(335)	1,530	N.A.	—	1,195	N.A.
% of revenues	5%	(3)%	—	8%	—	—	5%

The income taxes as at April 30, 2008, represent an effective interest rate of 37.2%, given the different jurisdictions where the Corporation has to produce tax returns. However, because of the available future income tax assets, this expense represents a \$0.2 million disbursement.

6.7 Net Earnings (Loss), Basic and Diluted Earnings (Loss) Per Share

Three-month periods ended April 30, (In thousands of \$, except per-share amounts and %)	2008	2007	2006
	\$	\$	\$
Net earnings (loss) from:			
— Continuing operations	3,234	1,403	3,078
— Discontinued operations	—	—	(405)
Total net earnings	3,234	1,403	2,673
% of revenues	13%	13%	26%
Basic earnings (loss) per share from:			
— Continuing operations	0.09	0.05	0.12
— Discontinued operations	—	—	(0.02)
Total basic earnings per share	0.09	0.05	0.10
Diluted earnings (loss) per share from:			
— Continuing operations	0.09	0.04	0.11
— Discontinued operations	—	—	(0.01)
Total diluted earnings per share	0.09	0.04	0.10

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The improvement in net earnings from continuing operations during the first quarter ended April 30, 2008, over corresponding periods in 2007 and 2006 is due mainly to the:

- Increase in revenues and maintenance of contractual gross margins consistent with management's guidance;
- Stability in selling and administration expenses even in a context of increased revenues;
- Positive impact on financial charges of the significant reduction of the long-term debt since April 2006; and
- Decrease in fixed costs, as percentage of revenues, between April 30, 2008 and the corresponding periods in 2007 and 2006, which is consistent with management's intention to keep these costs to a minimum, even in a context of increasing revenues.

Finally, there were no discounted debt buybacks nor divestitures in the first quarter ended April 30, 2008, as in the first quarter ended April 30, 2006.

7 RESULTS OF THE LAST FOUR QUARTERS

Given the fact that there are less unusual transactions than in the past, and the Corporation's operations are not seasonal in nature, management presents below the results of the last four quarters in order to reflect the trend in the Corporation's results, on an annual basis:

Fiscal years ending January 31,	2009	2008			Total ⁽¹⁾ Last Four Quarters
	Q1 Apr. 30, 08	Q4 Jan. 31, 08	Q3 Oct. 31, 07	Q2 Jul. 31, 07	
(In thousands of \$, except per-share amounts and %)	\$	\$	\$	\$	\$
Revenues	25,159	19,249	15,535	13,767	73,710
Gross margin before foreign exchange variation	7,115	4,921	5,355	5,281	22,672
% of revenues	28%	26%	34%	38%	31%
Earnings before interest, taxes, depreciation, amortization, and other items (excluding exchange gains or losses) (EBITDA) ⁽²⁾	5,900	3,913	4,372	4,094	18,279
% of revenues	24%	20%	28%	30%	25%
Net earnings	3,234	2,773	27,576	2,211	35,794
– Basic per share	0.09	0.08	0.80	0.07	1.04
– Diluted per share	0.09	0.08	0.77	0.07	1.01

(1) For information only. It represents the sum of the last four quarters results.

(2) See Section 9 "Non-Canadian GAAP Financial Indicators" for the definition of EBITDA.

8 CHANGES IN ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY AS AT APRIL 30, 2008, COMPARED WITH JANUARY 31, 2008

8.1 Assets

ADF closed the first quarter ended April 30, 2008 with assets of \$100.7 million, compared with \$95.2 million on January 31, 2008. This \$5.5 million increase is itemized as follows:

<i>Cash and Cash Equivalents</i>	Increase of \$0.2 million stemming from operating activities, which generated \$2.9 million, less \$2.3 million used by investment activities and \$0.4 million used by financing activities.
<i>Accounts Receivable</i>	Increase of \$5.2 million attributable to the increase in the billing (\$5.9 million), and the reduction in deposits for new equipment ordered (\$0.7 million).
<i>Work in Progress</i>	Reduction of \$0.8 million due to the billing of work in progress.
<i>Future Income Tax Assets (Current)</i>	Reduction of \$0.7 million resulting from the income tax provision used toward the Corporation's earnings.
<i>Future Income Tax Assets (Long-Term)</i>	Reduction of \$1.0 million resulting from management's assumptions on the use of the long-term future income taxes.
<i>Holdbacks on Long-Term Contracts</i>	Increase of \$0.2 million, due to the current billing.
<i>Property, Plant and Equipment</i>	Increase of \$1.6 million due to the favourable variation between the acquisitions, disposals, and the amortization of property, plant and equipment.
<i>Intangible Assets</i>	Increase of \$0.3 million due to the progressive in-house development of a software program to primarily optimize fabrication.

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8.2 Liabilities

ADF closed its first quarter ended April 30, 2008 with liabilities of \$28.3 million, compared with \$26.2 million on January 31, 2008. This \$2.1 million increase is itemized as follows:

<i>Accounts Payable and Accrued Charges</i>	Increase of \$2.0 million ensuing mainly from the increase in accounts payable, accrued charges relating to contracts in hand (\$2.1 million) and the reduction in salaries and fringe benefits (\$0.1 million).
<i>Deferred Revenues</i>	Increase of \$0.6 million due to the decrease in the work progress in relation to client billing.
<i>Long-Term Debt (Current and Long-Term)</i>	Reduction of \$0.4 million ensuing from the contractual repayments.

8.3 Shareholders' Equity

At the close of ADF's first quarter ended April 30, 2008, shareholders' equity amounted to \$72.3 million compared with \$69 million on January 31, 2008. This \$3.3 million increase mainly resulted from profitable operations.

9 NON-CANADIAN GAAP FINANCIAL INDICATORS

The following financial ratios are not defined by GAAP in Canada and therefore cannot be compared with similar measures presented by other issuers. The Corporation and its financial partners use these financial indicators.

(In thousands of \$, except ratios and %)	First Quarter Ended April 30, 2008	Fiscal Year Ended January 31, 2008
Working capital	28,282	26,622
Current ratio	2.36:1	2.47:1
Long-term debt to shareholders' equity	0.14:1	0.15:1
Long-term debt, net of cash and cash equivalents, to shareholders' equity	0.03:1	0.04:1
Liabilities to shareholders' equity	0.39:1	0.38:1
EBITDA ⁽¹⁾	5,900	15,069
EBITDA as a percentage of revenues	23.5%	25.3%
Return on equity	4.5%	49.2%

(1) Earnings from continuing operations before interest, taxes, depreciation and amortization (excluding exchange gains or losses)

9.1 Working Capital

The working capital indicator is used by the Corporation to assess its ability to meet its current obligations. Working capital is equal to current assets less current liabilities, whereas the current ratio is calculated by dividing current assets by current liabilities.

Management's overall goal is to maintain the current ratio at about 2:1 in upcoming quarters. Even with the expected increase in revenues, management expects it will achieve this goal through the pursuit of its strategy focusing on the execution of contracts generating positive cash flows.

9.2 Long-Term Debt to Shareholders' Equity

This ratio indicates the extent to which the Corporation uses long-term financing and measures the relationship between the Corporation's indebtedness and capital invested by shareholders. It represents the Corporation's total long-term debt, including the current portion, over shareholders' equity.

Management intends to further improve this ratio in the next quarters given the monthly refunds to the debtors, exceptional repayments, as the case may be, and the expected profitability of its operations during the fiscal year ending January 31, 2009. However, the appreciation of the Canadian dollar in relation to the U.S. dollar could affect the realization of this goal.

9.3 Long-Term Debt, Net of Cash and Cash Equivalents, to Shareholders' Equity

This ratio indicates the extent to which the Corporation uses long-term financing, less liquidities on hand, and measures the relationship between the Corporation's indebtedness and capital invested by its shareholders. It represents the Corporation's total long-term debt, including the current portion, less cash and cash equivalents, over shareholders' equity.

Management intends to further improve this ratio in the next quarters given the monthly refunds to the debtors, exceptional repayments, as the case may be, and the expected profitability of its operations during the fiscal year ending January 31, 2009. However, the appreciation of the Canadian dollar in relation to the U.S. dollar could affect the realization of this goal.

9.4 Liabilities to Shareholders' Equity

This ratio indicates the extent to which the Corporation uses debt to finance its operations and measures the relationship between the Corporation's indebtedness and capital invested by its shareholders. It represents the Corporation's total liabilities over shareholders' equity.

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Management also intends to further improve this ratio in the coming quarters given, among other things, monthly refunds of the long-term debt, the expected profitability of its operations during the fiscal year ending January 31, 2009, and exceptional repayments of the long-term debt, as the case may be. However, the appreciation of the Canadian dollar in relation to the U.S. dollar could affect the realization of this goal.

9.5 EBITDA

This indicator shows the extent to which the Corporation generates profits from operations, not taking into account the following items:

- financial charges;
- income taxes;
- gains or losses on foreign exchange; and
- amortization of property, plant and equipment, and of intangible assets.

The Corporation expects an EBITDA margin between 23% and 25% for the fiscal year ending January 31, 2009.

Net earnings are reconciled to EBITDA in the table below:

(In thousands of \$, except %)	First Quarter Ended April 30, 2008	Fiscal Year Ended January 31, 2008
	\$	\$
Net earnings and comprehensive income	3,234	33,963
Income taxes	1,915	(22,001)
Other items	–	(2,514)
Financial charges	95	1,417
Amortization	596	2,474
Loss on foreign exchange	60	1,730
Earnings before interest, taxes, depreciation and amortization (EBITDA)	5,900	15,069
% of revenues	23.5%	25.3%

9.6 Return on Shareholders' Equity

This ratio indicates the return on shareholders' equity during the targeted period. It represents the Corporation's net earnings to shareholders' equity.

The Corporation posted a 4.5% quarterly return on equity during the first quarter ended April 30, 2008, compared with a 49.2% annual return on equity during the fiscal year ended January 31, 2008. It should be noted however that the return on equity for the fiscal year ended January 31, 2008 included the recognition of tax attributes of \$28.2 million. Had it not been for the recognition of these tax attributes, the annual return on equity would have been 8.3%.

10 ANALYSIS OF CASH POSITION

As at April 30, 2008, the Corporation had \$7.9 million in cash and cash equivalents, and its authorized short-term credit facility of \$10 million remained unused. Management believes this will be sufficient to support the expected increase in revenues during the fiscal year ending January 31, 2009, that is, expected revenues between \$80 million and \$100 million, given the strict management of its cash inflows and outflows, especially while executing contracts awarded by clients.

The Corporation could also use its liquidities on hand for the early repayment of part of its long-term loans to reduce, among others, its overall indebtedness and related interests.

10.1 Cash Flows Trend

The following table shows that, during the first quarter ended April 30, 2008, the Corporation generated cash flows of \$2.9 million from operations, used cash of \$2.3 million for investment activities, of which was mostly used for the acquisition of new equipment, and used \$0.4 million for contractual repayments of the long-term debt, which favorably affected the net cash inflows during the first quarter ended April 30, 2008, compared with comparable periods in 2007 and 2006.

Three-month periods ended April 30, (In thousands of \$)	2008 \$	2007 \$	2006 \$
Operating Activities			
Adjusted net earnings from continuing operations	5,390	1,921	1,326
Accounts receivable and holdbacks on contracts	(5,670)	(2,045)	2,761
Work in progress and deferred revenues	1,354	1,058	(4,384)
Accounts payable and accrued charges	1,998	(2,798)	(1,229)
Income taxes	(40)	3	111
Discontinued operations	—	—	(696)
Other	(132)	979	2,140
	2,900	(882)	29
Investing Activities			
Acquisition of property, plant and equipment	(2,000)	(662)	(93)
Other	(267)	(68)	(2)
	(2,267)	(730)	(95)
Financing Activities			
Repayments of bank indebtedness	—	(263)	—
Repayment of the credit facility	—	—	(100)
Repayment of long-term debt	(407)	(605)	(31)
Issuances of subordinate voting share	9	15	—
Other	—	270	—
	(398)	(583)	(131)
Impact of fluctuations in foreign exchange rate on cash	3	(17)	—
Total net cash inflows (outflows)	238	(2,212)	(197)

11 CAPITAL STOCK

Information on the Corporation's outstanding shares, including stock options:

	Subordinate voting shares		Multiple voting shares ⁽¹⁾		Total outstanding shares		Stock options ⁽²⁾
	Number	\$	Number	\$	Number	\$	Number
As at January 31, 2008	21,759,569	126,329	14,343,107	16,001	36,102,676	142,330	1,518,900
Issued	—	—	—	—	—	—	60,000
Cancelled	—	—	—	—	—	—	(2,000)
Issued on exercise of options	13,400	9	—	—	13,400	9	(13,400)
As at April 30, 2008	21,772,969	126,338	14,343,107	16,001	36,116,076	142,339	1,563,500
Issued on exercise of options	33,800	24	—	—	33,800	24	(33,800)
As at June 4, 2008	21,806,769	126,362	14,343,107	16,001	36,149,876	142,363	1,529,700

(1) These shares carry ten (10) votes per share.

(2) The weighted average price as at April 30, 2008, of the outstanding stock options is \$1.01 per unit.

12 GENERAL OUTLOOK

During the first quarter ended April 30, 2008, ADF Group met its key objectives fixed on January 31, 2008, namely:

- Revenues growth;
- Net earnings growth;
- Debt reduction and increase in shareholders' equity;
- Further optimization of the plant's fabrication areas; and
- Maintenance of a strict cash flow management.

ADF today benefits from a solid balance sheet as attested by the total debt, net of cash and cash equivalents, to total invested capital ratio of 0.03:1 on April 30, 2008. (See Section 9 "Non-Canadian GAAP Financial Indicators".) In addition, the business strategy implemented in the past years in response to market fundamentals is yielding tangible results as testified, among other things, by the achievement of a gross margin before foreign exchange variation of 28% of revenues in the first quarter ended April 30, 2008.

In upcoming quarters, management of the Corporation will focus its efforts on the following:

- Pursuing the gradual start-up of the new fabrication equipment in order to increase the automation of fabrication processes;
- Bidding on projects offering profit margins and cash flows consistent with the Corporation's objectives, while ensuring the targeted projects' financing are secured by their owners prior to signing the contracts;

- Further promoting ADF's competitive advantages in its current markets and emerging growth markets, with a focus on its proactive approach to project management, its connection engineering expertise and its Terrebonne plant's fabrication capacity;
- Optimizing the profitability of contracts currently underway through strict cost management and continuous improvement of fabrication methods, by way of innovation and targeted investments;
- Steadily improving the Corporation's operational systems through the development and reinforcement of management tools; and
- Maintaining a strict cash flow management.

13 EXTERNAL FACTORS TO WHICH THE CORPORATION'S PERFORMANCE IS EXPOSED

No significant changes have occurred with respect to the Corporation's operating risks and uncertainties, since the analysis presented in the annual MD&A dated April 14, 2008, apart from the price of base metals, more particularly steel, and to a lesser extent, the price crude oil. These successive increases could have a long-term negative impact on the Corporation's market segment, that is, the non-residential construction market, causing the procurement and deliveries of the complex steel structures, more costly for owners.

14 ACCOUNTING POLICIES AND CHANGES

The Corporation's interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and use the same accounting policies and methods used in the preparation of the Corporation's January 31, 2008, annual audited consolidated financial statements, with the exception as described below. See Note 2 "Significant Accounting Policies" in the notes of the consolidated financial statements for the fiscal year January 31, 2008, for further information concerning the principle accounting policies used in the preparation of the financial statements.

On February 1, 2008, the Corporation adopted the following recommendations of the new sections published by the Canadian Institute of Chartered Accountants ("CICA"):

a) Financial Instruments - Disclosures

Handbook Section 3862 "Financial instruments - Disclosures" describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This Section complements the principles of recognition, measurement and presentation of financial instruments of Sections 3855 "Financial Instruments - Recognition and Measurement", 3863 "Financial Instruments - Presentation" and 3865 "Hedges". The Corporation adopted Section 3862 for the preparation of the interim financial statements. Consequently, additional information is provided under Note 9 of the unaudited consolidated financial statements for the first quarter ended April 30, 2008.

b) Financial Instruments - Presentation

Handbook Section 3863 "Financial Instruments - Presentation" establishes disclosure standards for financial instruments and non-financial derivatives. It carries forward the presentation requirements of Section 3861 "Financial Instruments - Disclosure and Presentation". The adoption of Section 3863 had no significant impact on the Corporation's interim consolidated financial statements.

c) Capital Disclosures

Handbook Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital. The Corporation adopted Section 1535 for the preparation of the interim financial statements. Consequently, additional information is provided under Note 8 of the unaudited consolidated financial statements for the first quarter ended April 30, 2008.

d) Inventories

Handbook Section 3031 "Inventories" establishes inventory valuation standards and inventory costing methods. The adoption of Section 3031 had no impact on the Corporation's interim consolidated financial statements.

15 FUTURE ACCOUNTING CHANGES

a) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which supersedes Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". This Section applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets.

b) International Financial Reporting Standards ("IFRS")

The Accounting Standards Board of Canada announced that accounting standards for public companies will migrate to IFRS over a transitioned period until 2011. On February 13, 2008, the CICA confirmed that the current Canadian GAAP will migrate to IFRS in 2011. The Corporation will adopt these new standards according to the implementation schedule for these new standards.

The Corporation is currently evaluating the effect of the adoption of these new sections and standards on its consolidated statements.

16 HUMAN RESOURCES

As at April 30, 2008, the Corporation employed a total of 294 people in its offices, fabrication plant and construction sites in Florida.

17 ADDITIONAL INFORMATION

This management's discussion and analysis of operating results and changes in financial position is dated June 4, 2008.

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 SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com.

(Signature)

Marise Paschini
Executive Vice-President,
Treasurer and Corporate Secretary

Terrebonne, Quebec, June 4, 2008

(Signature)

Louis Potvin, CA, MBA
Chief Financial Officer

First Quarter Ended April 30, 2008

(Dated June 4, 2008)

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NOTE TO THE READERS

The interim consolidated financial statements hereinafter have been prepared by the Management of ADF Group Inc. and have not been reviewed by an external auditor.

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME


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Periods ended April 30, (In thousands of \$, except per-share amounts)	Three-month 2008	Three-month 2007
	\$	\$
REVENUES	25,159	10,919
Cost of good sold	18,044	6,989
Gross margin before foreign exchange variation	7,115	3,930
Loss on foreign exchange	60	439
Gross margin	7,055	3,491
Selling and administrative expenses	1,215	1,240
Earnings before the undernoted items:	5,840	2,251
Amortization		
Amortization of intangible assets	13	124
Amortization of property, plant and equipment	583	566
	596	690
Earnings before financial charges and income taxes	5,244	1,561
Financial charges		
Interest on long-term debt	126	507
Interest income	(85)	(39)
Other interest and financial charges	54	25
	95	493
Earning before income taxes	5,149	1,068
Income taxes		
Current	168	40
Future	1,747	(375)
	1,915	(335)
Net earnings and comprehensive income	3,234	1,403
Basic earnings per share (Note 7)	0.09	0.05
Diluted earnings per share (Note 7)	0.09	0.04
Average number of outstanding shares (in thousands) (Note 7)	36,106	30,862
Average number of diluted outstanding shares (in thousands) (Note 7)	37,309	31,967

CONSOLIDATED STATEMENTS OF DEFICIT

Periods ended April 30, (In thousands of \$)	Three-month 2008	Three-month 2007
	\$	\$
Deficit, beginning of the period	(75,274)	(108,365)
Net earnings	3,234	1,403
Deficit, end of the period	(72,040)	(106,962)

CONSOLIDATED STATEMENTS OF CONTRIBUTED SURPLUS

Periods ended April 30, (In thousands of \$)	Three-month 2008	Three-month 2007
	\$	\$
Contributed surplus, beginning of the period	1,965	1,988
Stock options-based compensation (Note 6)	49	44
Contributed surplus, end of the period	2,014	2,032

See Notes to the Consolidated Financial Statements

(In thousands of \$)	At April 30, 2008	At January 31, 2008 (Audited)
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	7,924	7,686
Accounts receivable (Note 4)	23,101	17,877
Holdbacks on contracts	3,417	3,158
Work in progress	518	1,312
Inventories	2,620	2,551
Prepaid expenses	329	266
Income taxes	221	181
Future income tax assets	10,988	11,660
	49,118	44,691
Holdbacks on long-term contracts	532	345
Property, plant and equipment	34,710	33,082
Intangible assets	1,407	1,153
Other assets	328	328
Future income tax assets	12,051	13,066
Investment tax credits	2,514	2,514
	100,660	95,179
LIABILITIES		
Current		
Credit facility	—	—
Accounts payable and accrued charges (Note 5)	11,773	9,775
Deferred revenues	6,626	6,066
Current portion of long-term debt	2,437	2,228
	20,836	18,069
Long-term debt	7,511	8,089
	28,347	26,158
Shareholders' Equity		
Deficit	(72,304)	(75,538)
Accumulated other comprehensive income	264	264
	(72,040)	(75,274)
Capital stock (Note 6)	142,339	142,330
Contributed surplus	2,014	1,965
	72,313	69,021
	100,660	95,179

See Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS


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Periods ended April 30, (In thousands of \$)	Three-month 2008	Three-month 2007
	\$	\$
OPERATING REVENUES		
Net earnings	3,234	1,403
Adjustments for:		
Amortization of property, plant and equipment	583	566
Amortization of intangible assets	13	124
Amortization of other assets	—	140
Gain on disposal of property, plant and equipment	(211)	—
Non-cash exchange (gain) loss	(30)	17
Future income taxes	1,747	(375)
Capitalized interest on the interest-free long-term debt	5	2
Stock option-based compensation	49	44
Net earnings adjusted	5,390	1,921
Changes in non-cash operating working capital items		
Accounts receivable	(5,224)	(2,128)
Short-term and long-term holdbacks on contracts	(446)	83
Work in progress	794	1,852
Inventories	(69)	699
Income taxes	(40)	3
Prepaid expenses	(63)	280
Accounts payable and accrued charges	1,998	(2,798)
Deferred revenues	560	(794)
	(2,490)	(2,803)
Cash flows applied to operating activities	2,900	(882)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,000)	(662)
Acquisition of intangible assets	(267)	(70)
Decrease in other assets	—	2
Cash flows applied to investing activities	(2,267)	(730)
FINANCING ACTIVITIES		
Repayment of bank indebtedness	—	(263)
Increase in long-term debt	—	270
Repayment of long-term debt	(407)	(605)
Issuance of subordinate voting shares	9	15
Cash flows applied to financing activities	(398)	(583)
Impact of fluctuation in foreign exchange rate on cash	3	(17)
Net cash inflows (outflows)	238	(2,212)
Cash and cash equivalents, at the beginning of the period	7,686	6,016
Cash and cash equivalents, at the end of the period	7,924	3,804
Supplemental cash flow information		
Income taxes paid	162	23
Interest paid	58	515
Non-cash financing and investing activities:		
Property, plant and equipment given in exchange for new ones	737	—

See Notes to the Consolidated Financial Statements

Periods Ended April 30, 2008 and 2007

(All tabular figures are in thousands of \$ unless other specified and except percentages and ratios.)

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Note 1 BASIS OF PRESENTATION

These interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and use the same accounting policies and methods used in the preparation of the Corporation's January 31, 2008 annual audited consolidated financial statements, with the exception as described below under Note 2 "Changes in Accounting Policies". All disclosures required for annual audited consolidated financial statements have not been included in these interim unaudited consolidated financial statements. Therefore, these interim unaudited consolidated financial statements should be read in conjunction with the Corporation's most recent annual audited consolidated financial statements.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results may differ from those estimates.

Note 2 CHANGES IN ACCOUNTING POLICIES

On February 1, 2008, the Corporation adopted the following recommendations of the new sections of the Canadian Institute of Chartered Accountants ("CICA") Handbook:

a) Financial Instruments - Disclosures

Handbook Section 3862 "Financial instruments - Disclosures" describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This Section complements the principles of recognition, measurement and presentation of financial instruments of Sections 3855 "Financial Instruments - Recognition and Measurement", 3863 "Financial Instruments - Presentation" and 3865 "Hedges". The Corporation adopted Section 3862 for the preparation of its April 30, 2008 interim financial statements. Consequently, additional information is provided under Note 9.

b) Financial Instruments - Presentation

Handbook Section 3863 "Financial Instruments - Presentation" establishes disclosure standards for financial instruments and non-financial derivatives. It carries forward the presentation requirements of Section 3861 "Financial Instruments - Disclosure and Presentation". The adoption of Section 3863 had no significant impact on the Corporation's interim consolidated financial statements.

c) Capital Disclosures

Handbook Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital. The Corporation adopted Section 1535 for the preparation of its April 30, 2008 interim financial statements. Consequently, additional information is provided under Note 8.

d) Inventories

Handbook Section 3031 "Inventories" establishes inventory valuation standards and inventory costing methods. The adoption of Section 3031 had no impact on the Corporation's interim consolidated financial statements.

Note 3 FUTURE ACCOUNTING CHANGES

a) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which supersedes Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". This Section applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets.

b) International Financial Reporting Standards ("IFRS")

The Accounting Standards Board of Canada announced that accounting standards for public companies will migrate to IFRS over a transitioned period until 2011. On February 13, 2008, the CICA confirmed that the current Canadian GAAP will migrate to IFRS in 2011. The Corporation will adopt these new standards according to the implementation schedule for these new standards.

The Corporation is currently evaluating the effect of the adoption of these new sections and standards on its consolidated statements.

Note 4 ACCOUNTS RECEIVABLE

	At April 30, 2008	At January 31, 2008 (Audited)
	\$	\$
Contract receivables	20,717	14,860
Allowance for doubtful accounts	(287)	(287)
	20,430	14,573
Other receivables	2,671	3,304
	23,101	17,877

Periods Ended April 30, 2008 and 2007

(All tabular figures are in thousands of \$ unless other specified and except percentages and ratios.)

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Note 5 ACCOUNTS PAYABLE AND ACCRUED CHARGES

	At April 30, 2008	At January 31, 2008 (Audited)
	\$	\$
Suppliers	5,121	3,338
Accrued Charges	4,290	3,943
Salaries and fringe benefits	2,362	2,494
	11,773	9,775

Note 6 CAPITAL STOCK

Authorized:

- Unlimited number of subordinate voting shares, carrying one vote per share.
- Unlimited number of multiple voting shares, carrying 10 votes per share.
- Unlimited number of preferred shares, issuable in series.

Issued and paid:

	Subordinate voting shares		Multiple voting shares		Total outstanding shares		Warrants	
	Number	\$	Number	\$	Number	\$	Number	\$
As at January 31, 2007	16,517,983	104,318	14,343,107	16,001	30,861,090	120,319	236,486	–
Issued	4,800,000	21,300	–	–	4,800,000	21,300	–	–
Issued on exercise of options and warrants	441,586	711	–	–	441,586	711	(236,486)	–
As at January 31, 2008	21,759,569	126,329	14,343,107	16,001	36,102,676	142,330	–	–
Issued on exercise of options	13,400	9	–	–	13,400	9	–	–
As at April 30, 2008	21,772,969	126,338	14,343,107	16,001	36,116,076	142,339	–	–

a) Subordinate Voting Shares

The Corporation issued, under its stock option plan, 13,400 subordinate voting shares for a total of \$9,000. (See "Stock Option Plan" hereinafter.)

b) Stock Option Plan

On July 7, 1999, the Corporation established a stock option plan. At April 30, 2008, 3,306,729 outstanding subordinate voting shares (3,320,129 at January 31, 2008) have been reserved for issuance at that date. 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. All options have a 10-year life from the grant date.

Under the stock option plan, the following options were granted by the Corporation and are outstanding as (in units):

	At April 30, 2008		At January 31, 2008 (Audited)	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	Number	\$	Number	\$
Outstanding, beginning of the period	1,518,900	0.84	1,683,000	0.78
Granted	60,000	5.65	57,000	2.63
Exercised	(13,400)	0.71	(205,100)	0.77
Forfeited	(2,000)	1.05	(16,000)	1.60
Outstanding, end of the period	1,563,500	1.01	1,518,900	0.84
Exercisable, end of the period	746,100	0.75	450,100	0.76

Periods Ended April 30, 2008 and 2007

(All tabular figures are in thousands of \$ unless other specified and except percentages and ratios.)

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As at April 30 2008, the exercise price, the weighted average exercise price and the weighted average remaining contractual life of the options were as follows:

Exercise price	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$		Years	\$		\$
6.48	5,000	9.71	6.48	—	6.48
5.12	2,000	9.73	5.12	—	5.12
5.65	60,000	9.96	5.65	—	5.65
2.14	40,000	8.81	2.14	8,000	2.14
1.79	48,000	8.62	1.79	—	1.79
1.63	50,000	7.16	1.63	20,000	1.63
1.14	20,000	8.12	1.14	4,000	1.14
1.05	8,000	8.06	1.05	1,600	1.05
0.71	1,330,500	6.95	0.71	712,500	0.71
	1,563,500	7.20	1.01	746,100	0.75

c) Options Granted After January 31, 2003

The Corporation granted 60,000 stock options during the first quarter ended April 30, 2008 (57,000 during the fiscal year ended January 31, 2008.) The Corporation has 1,563,500 outstanding stock options as at April 30, 2008, of which 746,100 were exercisable. Total expenses of \$49,000 were recorded in the consolidated statement of income for the three-month ended April 30, 2008 (\$44,000 in the corresponding period in 2007) with a corresponding amount to the contributed surplus in the balance sheet at April 30, 2008.

The fair value of the options granted during the three-month period ended April 30, 2008, was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions used:

	April 17, 2008
Options issued	60,000
Dividend yield	0%
Expected volatility	107%
Risk-free interest rate	3.66%
Expected life	8 years

Note 7 EARNINGS PER SHARE

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

Periods ended April 30,	Three-month 2008	Three-month 2007
Numerator (In thousands of \$)		
Numerator applicable to basic and diluted earnings per share	3,234	1,403
Denominator (in units)		
Average number of shares - basic	36,106	30,862
Effect of dilutive instruments:		
— Warrants	—	96
— Stock options	1,203	1,009
Average number of shares - diluted	37,309	31,967

For the purpose of computing diluted earnings per share, the Corporation must account for the following two dilutive instruments:

- Stock options, and
- Warrants (2007 only).

For the three-month periods ended April 30, 2008 and 2007, a portion of the stock options (and warrants in 2007 only) were included in the computation of diluted earnings per share.

Periods Ended April 30, 2008 and 2007

(All tabular figures are in thousands of \$ unless other specified and except percentages and ratios.)

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Note 8 CAPITAL DISCLOSURE

The Corporation's objectives when managing capital are to:

- Maintain a flexible capital structure adapted to the Corporation's market segments, in order to optimize the cost of capital according to an acceptable risk level, while offering a suitable return to the shareholders.
- Manage capital in an optimal manner to ensure the respect of the lenders' financial covenants.
- Uphold a bonding capacity in line with the Corporation's growth objectives.
- Further increase capital in order to preserve the trust of the investors, lenders, suppliers and clients.

The Corporation defines capital as shareholders' equity, long-term debt (including current portion) and short-term bank loans, as the case may be.

The Corporation has not made any change to its capital management since the close of the last fiscal year, being January 31, 2008. Globally, the Corporation manages its capital and brings adjustments based on the objectives previously mentioned, economic trends, as well as all underlying risks related to the contracts in hand. In order to adjust its capital, the Corporation could issue new shares, make exceptional repayments on its long-term prior to its maturity and incur new debts.

The following ratio is used by the Corporation to periodically monitor its capital:

Liabilities to Shareholders' Equity

This ratio indicates the extent to which the Corporation uses debt to finance its operations and measures the relationship between the Corporation's indebtedness and capital invested by its shareholders. It represents the Corporation's total liabilities over shareholders' equity. However, this financial indicator is not defined by GAAP, and is consequently not standard, thus lending itself difficultly to a comparison with similar measurements presented by other issuers.

At April 30, (In thousands of \$, except ratios)	2008	2007
	\$	\$
Short-term and long-term liabilities	28,347	38,504
Shareholders' equity	72,313	15,404
Liability to shareholders' equity	0.39:1	2.50:1

Management's goal is to maintain this ratio below 1:1.

During the first quarter ended April 30, 2008, the Corporation has respected all covenants on its credit facility, long-term loans as well as on its bonding agreements.

Note 9 FINANCIAL INSTRUMENTS

The Corporation is exposed to risks that vary in materiality, which could have an impact on its capacity to reach its strategic growth objectives. The Corporation strives to control and mitigate its financial risks through management practices that require the identification and analysis of the risks related to its operations. Periodic monitoring and review of these risks are performed based on market conditions and the Corporation's level of activities.

The following are a description of the Corporation's main financial risks:

Credit Risks

In the normal course of business, the Corporation's exposure to credit risks results from the possibility that a client or financial institution may default, in part or in whole, on their financial obligations, as they come due. Concentration of credit risk relates to cash equivalents, account receivables and holdbacks on contracts.

Cash equivalents are mainly short-term investments, such as term deposits. No cash equivalents are backed by commercial paper assets. The Corporation has deposited its cash equivalents with respected financial institutions.

In the normal course of business, the Corporation grants credit to its clients. The Corporation carries out credit checks on its clients, declares their contracts directly to the owner and when relevant, to the bonding company involved in the project, and finally establishes allowances for doubtful accounts. For other accounts receivable, the Corporation determines, on a continuing basis, the probable losses and establishes an allowance for losses based on the estimated realizable value. Concentration of credit risk with respect to receivables is mitigated considering the clients' payment history, the available mechanisms of protection in case of nonpayment, such as a lien on a building, and given that the Corporation's clients tend to be large general contractors, or companies doing business with large contractors, governed by rigorous practices, servicing adequately funded projects.

This credit risk is however mitigated, despite the concentration of its clients, through monitoring and the measures available to the Corporation, as previously described. Globally, three clients accounted for 77% of the revenues as at April 30, 2008 (82% of revenues achieved with three clients in the fiscal year ended January 31, 2008.) Given the specialization of its market niche, it is most likely that such concentration risk will occur. Furthermore, from one year to the next it is rarely the same customers who make up this concentration. In addition, the Corporation is not dependent on a business sector in particular, as attested by its diversified order backlog, which is broken down among the Corporation's three key market segments. They are: the commercial building segment (54%), the public infrastructures segment (28%), and the industrial complexes segment (19%).

Periods Ended April 30, 2008 and 2007

(All tabular figures are in thousands of \$, unless other specified and except percentages and ratios.)

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Accounts receivable that were past contractual terms reached 11% as at April 30, 2008, but these accounts are not considered doubtful. The book value of the accounts receivable is reduced by a specific provision for doubtful accounts. Any change to this provision either increases or reduces the operating expenses. Historically, this provision is nominal and has not changed since January 31, 2008.

Liquidity Risks

The liquidity risk is the risk that the Corporation cannot meet its obligations as they come due. To fund its liquidity requirements, the Corporation uses occasionally cash flow from operations, the credit facility, debt and issuance of shares. In addition, the Corporation mitigates these risks by concluding contracts that will generate positive cash flows throughout their execution.

As at April 30, 2008, accounts payable and accrued charges that were due in the next 12 months totalled \$9,411,000. The long-term monthly repayments are US\$200,000. (See Note 13 "Long-Term Debt" included in the Annual Report for the fiscal year ended January 31, 2008.) As at April 30, 2008, the Corporation had cash and cash equivalents totalling \$7,924,000, in addition to a \$10,000,000 credit facility that was not used. Given the liquidities in hand to meet its obligations, the Corporation's exposure to liquidity risks is nominal.

Foreign Currency Exchange Rate Risk

The Corporation is exposed to foreign currency exchange rate variation between the Canadian and U.S. dollars, since 97% of its revenues for the first quarter ended April 30, 2008, was recorded in U.S. dollars (91% for the first quarter ended April 30, 2007.) To mitigate the impact of currency fluctuations on its results, the Corporation uses different mechanisms. They are, among other things, maximize purchases in U.S. dollars when possible (natural hedging), purchase fabrication equipment in U.S. dollars, long-term debt denominated in U.S. dollars, and exceptional use of foreign exchange forward contracts to hedge part of the residual exchange risk. However, the Corporation did not conclude foreign exchange forward contracts during the first quarter ended April 30, 2008.

As at April 30, 2008, the assets and liabilities denominated in U.S. dollars, included the following amounts in Canadian dollars:

	\$
Cash and cash equivalents	3,859
Accounts receivable	21,269
Holdbacks on contract receivable	3,846
Work in progress	124
Future income tax assets	17,489
Other assets	21
	46,608
Accounts payable and accrued charges	2,238
Deferred revenues	2,556
Long-term debt	9,669
	14,463
Net currency risk	32,145

Consequently, a \$0.01 fluctuation in the exchange rate between the Canadian and U.S. dollars could result in a \$319,000 variation on earnings before income taxes.

Interest Rate Risk

The Corporation is only exposed to interest rate fluctuations related to its long-term debt, since it does not use its credit facility. The Corporation does not use derivatives to mitigate this risk.

As at April 30, 2008, a 1% fluctuation in the effective rate would have resulted in a \$100,000 variation on earnings before income taxes. However, the impact of fluctuation in the effective rates would have been mitigated by the interest income from cash and cash equivalents.

Note 10 SEGMENTED REPORTING

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

	Revenues		Property, Plant and Equipment	
	Periods ended April 30,			
	Three-month 2008	Three-month 2007	At April 30, 2008	At January 31, 2008 (Audited)
	\$	\$	\$	\$
Canada	873	1,019	34,415	32,889
United States	24,286	9,900	295	193
	25,159	10,919	34,710	33,082

During the first quarter ended April 30, 2008, 77% of the Corporation's revenues was achieved with three clients, each of which accounted for more than 10% of revenues.