

Quarterly Report 2
For the six-month period ended July 31, 2008



Complex Steel Components
for the Construction Industry

Second Quarter Ended July 31, 2008

ADF Group continued to forge ahead in the second quarter ended July 31, 2008, once again posting excellent growth. All performance indicators were up sharply and in accordance with forecasts.

As a result of the significant increase in our order backlog, revenues rose 74% to \$24 million for the second quarter ended July 31, 2008, versus \$13.8 million for the corresponding period in 2007. Revenues for the first half nearly doubled, reaching \$49.2 million.

Earnings from continuing operations before interest, taxes, depreciation and amortization, excluding exchange gains or losses (EBITDA)¹ for the second quarter totalled \$6.1 million and the EBITDA margin stood at 25%, compared with EBITDA of \$4.1 million and an EBITDA margin of 30% for the second quarter of the previous year. For the first six months of the current fiscal year, EBITDA rose 77% to \$12 million or 24% of revenues, compared with \$6.8 million or 27% of revenues for the same period in 2007.

Net income for the second quarter increased by 83% to \$4.1 million or \$0.11 basic and diluted per share, compared with \$2.2 million or \$0.07 basic and diluted per share for the second quarter of 2007. For the first six months of the current fiscal year, net income more than doubled to \$7.3 million or \$0.20 per basic and diluted per share, as opposed to \$3.6 million or \$0.11 basic and diluted per share for the corresponding period in 2007.

As at July 31, 2008, the order backlog stood at \$125 million, up 45% over that on the same date a year earlier. The total value of projects currently under negotiation remained stable at \$395 million, attesting to the favourable outlook this year for the markets where we operate. We continue to target contracts with good profitability potential and that comply with ADF's profitability and risk selection criteria. We are satisfied with the progress of negotiations and expect to announce other contracts in the near future.

As scheduled, we continued the automation of our fabrication processes through the start-up of new robotized equipment commissioned in late 2007 and early 2008. Thanks to careful planning, the installation of the new equipment did not disrupt or affect the plant's activities. The plant's annual fabrication capacity is gradually increasing through the integration of new equipment and as a result of the reengineering of certain production areas. We expect all new equipment to be operational by the end of the current fiscal year, which will increase our overall annual fabrication capacity from 65,000 to 100,000 tons under one roof.

The results for the first half of the fiscal year ending January 31, 2009, reflect our commitment to grow the Corporation in a sustained and profitable manner, and we are confident that our growth will continue during the second half. ADF Group is solidly positioned to achieve its revenue objectives and an EBITDA margin of between 23% and 25% for the current fiscal year.

(Signature)

Jean Paschini
Chairman of the Board and Chief Executive Officer

Terrebonne, Quebec, September 8, 2008

¹ EBITDA - See Section 9 "Non-Canadian GAAP Financial Indicators" of the present Management Discussion & Analysis Report

Second Quarter Ended July 31, 2008

(Dated September 8 2008)

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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 second quarter and first semester ended July 31, 2008, compared with the corresponding periods in 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 second quarter ended July 31, 2008, covers all major events that occurred between May 1, 2008 and September 8, 2008, on which date ADF Group's Board of Directors approved the management's discussion and analysis and the consolidated financial statements for the second quarter and first semester ended July 31, 2008.

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

During the second quarter ended July 31, 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\$)
Second quarter- July 31, 2008	1.0077	1.0240
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

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 centers, 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 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 and six-month periods ended July 31, 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 SECOND QUARTER ENDED JULY 31, 2008 AND SUBSEQUENT EVENTS

Management believes that the following events, which took place between the end of the last quarter, being April 30, 2008 and September 8, 2008, are relatively important for any investor seeking to form an opinion about the Corporation's activities and the financial results.

4.1 Capital Expenditures

The installation of new equipment is progressing as planned and as budgeted. At the date of the present, half of all new equipment is operational.

4.2 Order Backlog

On July 31, 2008, ADF had a total order backlog of \$125 million, compared with \$86 million at the same date last year, which represents a 45% increase. Most contracts will be gradually executed over a 15-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 targeted markets in North American and business opportunities abroad.

4.3 Term Sheet of Financing Offer

On June 20, 2008, in order to obtain additional financial flexibility for its future growth, the Corporation and its short-term lender reviewed the terms and conditions of its \$10 million credit facility. This review covered financial ratios, guarantee of advances, applicable interest rates and covers granted. Consequently, since June 20, 2008, this credit facility bears interest at the basic Canadian bank rates without markup or at the bank acceptance rate plus 1.50% or at the LIBOR rate plus 1.50%, according to the choice of ADF, and it is secured by inventories and accounts receivable excluding holdbacks receivable.

4.4 Subsequent Events

On September 2, 2008, the Corporation and its short-term lender concluded the above-mentioned financing agreement.

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 July 31, (In thousands of \$, except per-share amounts)	2008	2007	2006
	\$	\$	\$
Revenues	23,994	13,767	14,522
Earnings before discontinued operations	4,050	2,211	1,226
– Basic per share	0.11	0.07	0.04
– Diluted per share	0.11	0.07	0.04
Total assets	108,971	55,060	50,106
Long-term liabilities	6,984	15,303	25,919
Dividend per share	n.a.	n.a.	n.a.

The analysis of the table on the previous page shows an improvement in selected indicators, more specifically:

- a 74% increase in revenues during the second quarter ended July 31, 2008, compared with the same period in 2007 and a 65% increase compared with the corresponding period in 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 labour only;
- a significant increase in earnings before discontinued operations during the second quarter ended July 31, 2008, compared with the corresponding periods in 2007 and 2006, representing increases of 83% and 230% respectively;
- an increase in assets as at July 31, 2008 over comparable periods in 2007 and 2006, attributable to the recognition of loss carry-overs in the fiscal year ended January 31, 2008 and an increase in cash and cash equivalents, accounts receivable, property, plant and equipment and intangible assets during the first semester ended July 31, 2008; and
- a significant reduction in long-term liabilities compared with the corresponding periods in 2007 and 2006, in accordance with the Corporation's objective.

The Corporation did not declare any dividends in the past years, preferring to reinvest its liquidity in its continuing operations, acquisition of property, plant and equipment and intangible assets and the reduction of its debt.

6 ANALYSIS OF OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX-MONTH PERIOD ENDED JULY 31, 2008

6.1 Revenues and Gross Margin

Three-month periods ended July 31, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Revenues	23,994	13,767	10,227	74	14,522	9,472	65
Cost of goods sold	17,051	8,486	8,565	101	10,752	6,299	59
Gross margin before foreign exchange variation	6,943	5,281	1,662	32	3,770	3,173	84
% of revenues	29%	38%	n.a.	(9)%	26%	n.a.	3%
(Gain) loss on foreign exchange	(701)	597	(1,298)	(217)	53	(754)	(1,423)
Gross margin	7,644	4,684	2,960	63	3,717	3,927	106
% of revenues	32%	34%	n.a.	(2)%	26%	n.a.	6%

Six-month periods ended July 31, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Revenues	49,153	24,686	24,467	99	24,989	24,164	97
Cost of goods sold	35,095	15,475	19,620	127	18,456	16,639	90
Gross margin before foreign exchange variation	14,058	9,211	4,847	53	6,533	7,525	115
% of revenues	29%	37%	n.a.	(8)%	26%	n.a.	3%
(Gain) loss on foreign exchange	(641)	1,036	(1,677)	(162)	118	(759)	(643)
Gross margin	14,699	8,175	6,524	80	6,415	8,284	129
% of revenues	30%	33%	n.a.	(3)%	26%	n.a.	4%

a) Revenues

The rise in revenues during the second quarter and first semester ended July 31, 2008, compared with the corresponding quarters in 2007 and 2006, can be explained mainly by the increase in the number of fabrication contracts and by an increase in contracts for which the Corporation supplies the raw material, connections engineering and installation, in addition to direct labour, and by the specialization of the Corporation's activities in a more complex and higher value-added product niche.

As for economic dependency, two clients accounted for more than 10% of revenues in the first semester ended July 31, 2008, each representing, respectively, revenues of \$8 million and \$25 million. Globally, these two clients accounted for 67% of the Corporation's first semester revenues. Although the Corporation strives to limit the concentration of its revenues, given the nature of its activities and market, its business will most likely remain somewhat concentrated among certain clients in the next few quarters.

b) Gross Margin Before Foreign Exchange Variation

During the second quarter and first semester ended July 31, 2008, the gross margin before foreign exchange variation increased in dollar value over the corresponding periods in 2007 and 2006, as a result of, among others, the increase in revenues, significant increase in the number of hours worked in the plant, and efficient execution of contracts. The gross margin before foreign exchange variation as a percentage of revenues fluctuated compared with corresponding periods in 2007, because of the revenue 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, connection design and engineering, and installation. 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 July 31, 2008, 75% of the revenues also included the supply of the raw material, connection design and engineering and installation (45% at July 31, 2007).

In the second quarter ended July 31, 2008, in order to attract talented people to the plant's workforce, the Corporation granted its plant employees a salary increase above the consumer price index. As a result, the gross margin before exchange variation was slightly affected by this direct labour cost increase.

The 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) (Gain) Loss on Foreign Exchange

The gain on foreign exchange during the second quarter ended July 31, 2008 can be explained by the depreciation of the Canadian dollar in relation to the U.S. dollar.

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 July 31, 2008, the net exchange risk between the assets and liabilities denominated in U.S. dollars was \$28 million. Consequently, a \$0.01 fluctuation in the exchange rate between Canadian and U.S. currency could result in a \$270,000 variation on earnings before income taxes.

d) Gross Margin

The gross margin for the three-month and six-month periods ended July 31, 2008 fluctuated over the corresponding quarters in 2007 and 2006, 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 July 31, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Selling and Administrative Expenses	862	1,187	(325)	(27)	1,095	(233)	(21)
% of revenues	4%	9%	n.a.	(5)%	8%	n.a.	(4)%

Six-month periods ended July 31, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Selling and Administrative Expenses	2,077	2,427	(350)	(14)	2,299	(222)	(10)
% of revenues	4%	10%	n.a.	(6)%	9%	n.a.	(5)%

Selling and administrative expenses decreased during the three-month and six-month periods ended July 31, 2008 compared with the same periods in 2007 and 2006. However, this decrease results from a \$975,000 gain on disposal of property, plant and equipment in the first semester ended July 31, 2008. Had it not been for this gain, the selling and administrative expenses would have been higher compared with the corresponding periods. These changes are mainly due to the salary increase of management and office personnel, in accordance with the recommendation of the Compensation, Nominating and Corporate Governance Committee, the hiring of three new employees, and an increase in professional fees together with a decrease in deferred charges. However, as a percentage of revenues, the selling and administrative expenses decreased compared with the corresponding periods in 2007 and 2006.

6.3 Amortization

Three-month periods ended July 31, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Amortization	613	646	(33)	(5)	752	(139)	(18)
% of revenues	3%	5%	n.a.	(2)%	5%	n.a.	(2)%

Six-month periods ended July 31, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Amortization	1,209	1,336	(127)	(10)	1,503	(294)	(20)
% of revenues	3%	5%	n.a.	(2)%	6%	n.a.	(3)%

The reduction in amortization during the three-month and six-month periods ended July 31, 2008 over the corresponding periods in 2007 and 2006 can be explained by a decrease in the amortization of intangible assets and disposal of equipment. However, it should be noted that during the fiscal year ended January 31, 2008, acquisitions of fixed assets and intangible assets were higher than amortization expenses and continued to be during the first semester ended July 31, 2008, as a result of which the amortization expenses will increase following the gradual start-up of the new equipment scheduled until the end of the year.



6.4 Financial Charges

Three-month periods ended July 31, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Financial Charges	84	431	(347)	(81)	627	(543)	(87)
% of revenues	0%	3%	n.a.	(3)%	4%	n.a.	(4)%

Six-month periods ended July 31, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Financial Charges	179	924	(745)	(81)	840	(661)	(79)
% of revenues	0%	4%	n.a.	(4)%	3%	n.a.	(3)%

In general, the financial charges decreased during the three-month and six-month periods ended July 31, 2008 over the corresponding periods in 2007 and 2006, because the credit facility was not used during the first semester, 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 July 31, 2008, a 1% fluctuation in the effective interest rate would have an annual impact of \$95,000 on earnings before income taxes.

6.5 Income Taxes

Three-month periods ended July 31, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Income Taxes	2,035	209	1,826	874	(31)	2,066	n.a.
% of revenues	8%	2%	n.a.	6%	0%	n.a.	8%

Six-month periods ended July 31, (In thousands of \$, except %)	2008	2007	Change 2008 vs 2007		2006	Change 2008 vs 2006	
	\$	\$	\$	%	\$	\$	%
Income Taxes	3,950	(126)	4,076	n.a.	(31)	3,981	n.a.
% of revenues	8%	(1)%	n.a.	9%	0%	n.a.	8%

For the three-month and six-month periods ended July 31, 2008, income taxes represent an effective tax rate of 33.5%, and 35.2% respectively, given the profit weight in the different jurisdictions where the Corporation has to produce tax returns. However, because of the available future income tax assets, only an expense of \$162,000 during the first semester ended July 31, 2008 represents a disbursement.

6.6 Net Earnings, Basic and Diluted Earnings Per Share

Periods ended July 31, (In thousands of \$, except per-share amounts and %)	Three (3) Months			Six (6) Months		
	2008	2007	2006	2008	2007	2006
	\$	\$	\$	\$	\$	\$
Net earnings from:						
– Continuing operations	4,050	2,211	1,226	7,284	3,614	4,304
– Discontinued operations	–	–	1,263	–	–	858
Total net earnings	4,050	2,211	2,489	7,284	3,614	5,162
% of revenues	17%	16%	17%	15%	15%	21%
Basic earnings per share from:						
– Continuing operations	0.11	0.07	0.04	0.20	0.11	0.16
– Discontinued operations	–	–	0.05	–	–	0.03
Total basic earnings per share	0.11	0.07	0.09	0.20	0.11	0.19
Diluted earnings per share from:						
– Continuing operations	0.11	0.07	0.04	0.20	0.11	0.16
– Discontinued operations	–	–	0.04	–	–	0.03
Total diluted earnings per share	0.11	0.07	0.08	0.20	0.11	0.19

The improvement in net earnings from continuing operations during the first semester ended July 31, 2008 over corresponding periods in 2007 and 2006 is due mainly to the:

- increase in revenues and maintenance of contractual gross margins in accordance with management's forecasts;
- reduction in selling and administration expenses resulting from gains on disposal of property, plant and equipment;
- decrease in amortization expenses resulting from the disposal of property, plant and equipment and the gradual start-up of new equipment acquired in 2007 and 2008; and
- positive impact on financial charges of the significant reduction of the long-term debt since April 2007.

Finally, there were no discounted debt buybacks, nor divestitures as at July 31, 2008, as in the second quarter ended July 31, 2006.

7 RESULTS OF THE PAST 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 past four quarters in order to reflect the trend in the Corporation's results, on an annual basis:

Fiscal years ending January 31, (In thousands of \$, except per-share amounts and %)	2009		2008		Total ⁽¹⁾ Past Four Quarters
	Q2 Jul. 31, 2008	Q1 Apr. 30, 2008	Q4 Jan. 31, 2008	Q3 Oct. 31, 2007	
	\$	\$	\$	\$	\$
Revenues	23,994	25,159	19,249	15,535	83,937
Gross margin before foreign exchange variation	6,943	7,115	4,921	5,355	24,334
% of revenues	29%	28%	26%	34%	29%
Earnings before interest, taxes, depreciation, amortization, and other items (excluding exchange gains or losses) (EBITDA) ⁽²⁾	6,081	5,900	3,913	4,372	20,266
% of revenues	25%	23%	20%	28%	24%
Net earnings	4,050	3,234	2,773	27,576	37,633
– Basic per share	0.11	0.09	0.08	0.80	1.08
– Diluted per share	0.11	0.09	0.08	0.77	1.05

(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 JULY 31, 2008, COMPARED WITH JANUARY 31, 2008

8.1 Assets

ADF closed the second quarter ended July 31, 2008, with assets of \$109 million compared with \$95 million on January 31, 2008. This \$14 million increase is itemized as follows:

- *Cash and Cash Equivalents* Increase of \$3 million stemming from operating activities, which generated \$12 million, less \$8 million used by investment activities and \$1 million used by financing activities.
- *Accounts Receivable* Increase of \$5 million attributable to the increase in the billing (\$7 million), and the reduction in deposits for new equipment commissioned (\$2 million).
- *Holdbacks on Contracts* Increase of \$1 million due to the net change between billing of holdbacks on certain contracts and reclassification as short-term of long-term holdbacks for which the collection is expected in less than 12 months.
- *Work in Progress* Reduction of \$0.5 million due to the billing of work in progress.
- *Future Income Tax Assets (Current)* Reduction of \$0.5 million resulting from the income tax provision based on hypothesis used toward the Corporation's earnings.
- *Future Income Tax Assets (Long-term)* Reduction of \$3 million resulting from the income tax provision based on hypothesis used toward the Corporation's earnings.
- *Property, Plant and Equipment* Increase of \$7 million due to the favourable variation between the acquisitions, disposals, and the amortization of property, plant and equipment.
- *Intangible Assets* Increase of \$0.6 million due to the progressive in-house development of a software program to primarily optimize fabrication.



8.2 Liabilities

ADF closed its the second quarter ended July 31, 2008, with liabilities of \$33 million, compared with \$26 million on January 31, 2008. This \$7 million increase is itemized as follows:

- *Accounts Payable and Accrued Charges* Increase of \$5 million stemming mainly from the increase in accounts payable and accrued charges relating to contracts in hand.
- *Deferred Revenues* Increase of \$3 million due to the variance between the work progress in relation to client billing.
- *Long-term Debt (Current and Long-term)* Reduction of \$1 million ensuing from the contractual repayments.

8.3 Shareholders' Equity

At the close of ADF's second quarter ended July 31, 2008, shareholders' equity amounted to \$76 million compared with \$69 million on January 31, 2008. This \$7 million increase resulted mainly 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 %)	Second quarter ended July 31, 2008	Fiscal year ended January 31, 2008
Working capital	\$27,961	\$26,622
Current ratio	2.10:1	2.47:1
Long-term debt to shareholders' equity	0.12:1	0.15:1
Long-term debt, net of cash and cash equivalents, to shareholders' equity	(0.01:1) ⁽¹⁾	0.04:1
Liabilities to shareholders' equity	0.43:1	0.38:1
EBITDA ⁽²⁾	\$6,081	\$15,069
EBITDA as a percentage of revenues	25%	25%
Return on equity	5%	49%

(1) The parenthesis indicate that the cash and cash equivalents is higher than the long-term debt.

(2) 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 fluctuation 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.

At July 31, 2008, the Corporation had more cash and cash equivalents than long-term debt. In the short-term, however, this situation could change, given, among other things, the fluctuation of the Canadian dollar in relation to the U.S. dollar or the signing of new contracts that would not generate positive cash flows throughout its execution.

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. Management also intends to further improve this ratio in the coming quarters given, among other things, monthly repayments 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, increase in accounts payable and accrued charges together with the fluctuation of the Canadian dollar in relation to the U.S. dollar could affect the realization of this goal in the short term.

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:

Periods ended July 31, (In thousands of \$, except %)	Three (3) Months		Six (6) Months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Net earnings and comprehensive income	4,050	2,211	7,284	3,614
Income taxes	2,035	209	3,950	(126)
Financial charges	84	431	179	924
Amortization	613	646	1,209	1,336
(Gain) loss on foreign exchange	(701)	597	(641)	1,036
Earnings before interest, taxes, depreciation and amortization (EBITDA)	6,081	4,094	11,981	6,784
% of revenues	25%	30%	24%	27%

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.

During the three-month and six-month periods ended July 31, 2008, the Corporation posted quarterly return on equity of 5% and 10% respectively, compared with a 49% 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 million. Had it not been for the recognition of these tax attributes, the annual return on equity would have been 8%.

10 ANALYSIS OF CASH POSITION

At July 31, 2008, the Corporation had \$11 million in cash and cash equivalents, and its authorized short-term credit facility of \$10 million remained unused. Management believes that this will be sufficient to support the expected increase in revenues during the fiscal year ending January 31, 2009, that is, expected revenues of between \$80 million and \$100 million, given the strict management of its cash inflows and outflows, especially while executing contracts awarded by clients.

During the year, 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 or optimize prompt payment rebates with suppliers.

10.1 Cash Flow Trend

The following table shows that during the second quarter ended July 31, 2008, the Corporation generated cash flows of \$9 million from operations, used close to \$6 million for investment activities, most of which was used for the acquisition of new equipment, and used \$0.6 million for contractual repayments of the long-term debt.

During the first semester ended July 31, 2008, the Corporation generated cash flows of \$12 million from operations, used close to \$8 million for investment activities, most of which was used for the acquisition of new equipment, and used \$1 million for contractual repayments of the long-term debt.

Periods ended July 31, (In thousands of \$)	Three (3) Months			Six (6) Months		
	2008	2007	2006	2008	2007	2006
	\$	\$	\$	\$	\$	\$
Operating Activities						
Adjusted net earnings from continuing operations	5,799	3,109	2,181	11,239	5,059	3,507
Accounts receivable and holdbacks on contracts	(391)	743	(1,840)	(6,061)	(1,302)	921
Work in progress and deferred revenues	1,894	(3,723)	754	3,248	(2,665)	(3,630)
Accounts payable and accrued charges	2,428	(602)	2,981	4,426	(3,400)	1,752
Income taxes	64	26	77	24	29	188
Discontinued operations	—	—	(306)	—	—	(1,002)
Other	(811)	(255)	(407)	(943)	724	1,733
	8,983	(702)	3,440	11,933	(1,555)	3,469
Investing Activities						
Acquisition of intangible assets	(372)	(299)	(5)	(639)	(369)	(5)
Acquisition of property, plant and equipment	(5,476)	(602)	(634)	(7,476)	(1,264)	(727)
Other	(1)	29	1,609	(1)	31	1,607
	(5,849)	(872)	970	(8,116)	(1,602)	875
Financing Activities						
Repayments of bank indebtedness	—	—	(371)	—	(263)	(371)
Repayment of the credit facility	—	—	(2,800)	—	—	(2,900)
Repayment of long-term debt	(606)	(8,105)	(9)	(1,013)	(8,710)	(40)
Issuances of long-term debt	—	219	72	—	489	72
Issuances of subordinate voting share	38	10,692	—	47	10,707	—
Other	—	—	—	—	—	—
	(568)	2,806	(3,108)	(966)	2,223	(3,239)
Impact of fluctuations in foreign exchange rate on cash	62	(11)	—	15	(57)	—
Total net cash inflows (outflows)	2,628	1,221	1,302	2,866	(991)	1,105

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	—	—	—	—	—	—	(2,800)
Issued on exercise of options	66,400	64	—	—	66,400	64	(66,400)
As at July 31, 2008 and September 8, 2008	21,825,969	126,393	14,343,107	16,001	36,169,076	142,394	1,509,700

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

(2) The weighted average price as at July 31, 2008, of the outstanding stock options is \$1.04 per unit.

12 GENERAL OUTLOOK

During the first semester ended July 31, 2008, ADF Group met its key objectives fixed on January 31, 2008, namely:

- revenues and 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 (0.01):1 on July 31, 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 reflected by, among other things, the achievement of a gross margin before foreign exchange variation of 29% of revenues in the first semester ended July 31, 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 and efficiency 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 markets, with a focus on its strength in project management, 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 June 4, 2008, apart from the price of base metals, more particularly steel, and to a lesser extent, the price of crude oil. These fluctuations could have a long-term negative impact on the Corporation's market segment, that is, the non-residential construction market, making 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 10 of the unaudited consolidated financial statements for the second quarter ended July 31, 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 9 of the unaudited consolidated financial statements for the second quarter ended July 31, 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")

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date for Canadian publicly accountable companies to start using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. As a result, the Corporation is developing a plan to convert its consolidated financial statements to IFRS. The plan will address the impact of IFRS in regards with:

- accounting policies and implementation decisions;
- information technology and data systems;
- internal control over financial reporting;
- disclosure controls and procedures;
- financial reporting expertise; and
- business activities.

The Corporation will provide specific training to key employees concerned by this new standard.

The Corporation will assess the differences between Corporation's current accounting policies and IFRS, as well as the alternatives available at the time of adoption. This assessment will include the impact of conversion on information technology and data systems, internal control over financial reporting, disclosure controls and procedures and business activities. The Corporation will present this new plan to its Audit Committee and Board of Directors who will adopt the financial statements for January 31, 2009. Changes in accounting policies are likely. These changes may materially impact the Corporation's consolidated financial statements.

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 July 31, 2008, the Corporation employed a total of 310 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 September 8, 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

(Signature)

Louis Potvin, CA, MBA
Chief Financial Officer

Terrebonne, Quebec, September 8, 2008

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

Periods ended July 31, (In thousands of \$, except per-share amounts)	Three (3) Months		Six (6) Months	
	2008	2007	2008	2007
	\$	\$	\$	\$
REVENUES	23,994	13,767	49,153	24,686
Cost of good sold	17,051	8,486	35,095	15,475
Gross margin before foreign exchange variation	6,943	5,281	14,058	9,211
(Gain) loss on foreign exchange	(701)	597	(641)	1,036
Gross margin	7,644	4,684	14,699	8,175
Selling and administrative expenses	862	1,187	2,077	2,427
Earnings before the undernoted items:	6,782	3,497	12,622	5,748
Amortization				
Amortization of intangible assets	13	88	26	212
Amortization of property, plant and equipment	600	558	1,183	1,124
	613	646	1,209	1,336
Earnings before financial charges and income taxes	6,169	2,851	11,413	4,412
Financial charges				
Interest on long-term debt	113	477	239	984
Interest income	(46)	(67)	(132)	(106)
Other interest and financial charges	17	21	72	46
	84	431	179	924
Earning before income taxes	6,085	2,420	11,234	3,488
Income taxes				
Current	3	(1)	171	39
Future	2,032	210	3,779	(165)
	2,035	209	3,950	(126)
Net earnings and comprehensive income	4,050	2,211	7,284	3,614
Basic earnings per share (Note 8)	0.11	0.07	0.20	0.11
Diluted earnings per share (Note 8)	0.11	0.07	0.20	0.11
Average number of outstanding shares (in thousands) (Note 8)	36,145	32,405	36,126	31,646
Average number of diluted outstanding shares (in thousands) (Note 8)	37,258	33,725	37,290	33,007

CONSOLIDATED STATEMENTS OF DEFICIT

Periods ended July 31, (In thousands of \$)	Three (3) Months		Six (6) Months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Deficit, beginning of the period	(72,304)	(106,962)	(75,538)	(108,365)
Net earnings	4,050	2,211	7,284	3,614
Share issuance costs, net of taxes of \$292,000	—	(622)	—	(622)
Deficit, end of the period	(68,254)	(105,373)	(68,254)	(105,373)

CONSOLIDATED STATEMENTS OF CONTRIBUTED SURPLUS

Periods ended July 31, (In thousands of \$)	Three (3) Months		Six (6) Months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Contributed surplus, beginning of the period	2,014	2,032	1,965	1,988
Stock options-based compensation (Note 7)	62	44	111	88
Exercise of options	(17)	—	(17)	—
Contributed surplus, end of the period	2,059	2,076	2,059	2,076

See Notes to the Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

	At July 31, 2008	At January 31, 2008 (Audited)
(In thousands of \$)	\$	\$
ASSETS		
Current		
Cash and cash equivalents	10,552	7,686
Accounts receivable (Note 4)	22,845	17,877
Holdbacks on contracts	4,184	3,158
Work in progress	810	1,312
Inventories	2,849	2,551
Prepaid expenses	911	266
Income taxes	157	181
Future income tax assets	11,177	11,660
	53,485	44,691
Holdbacks on long-term contracts	412	345
Property, plant and equipment	40,350	33,082
Intangible assets	1,766	1,153
Other assets	329	328
Future income tax assets	10,115	13,066
Investment tax credits	2,514	2,514
	108,971	95,179
LIABILITIES		
Current		
Credit facility (Note 5)	—	—
Accounts payable and accrued charges (Note 6)	14,201	9,775
Deferred revenues	8,812	6,066
Current portion of long-term debt	2,511	2,228
	25,524	18,069
Long-term debt	6,984	8,089
	32,508	26,158
Shareholders' Equity		
Deficit	(68,254)	(75,538)
Accumulated other comprehensive income	264	264
	(67,990)	(75,274)
Capital stock (Note 7)	142,394	142,330
Contributed surplus	2,059	1,965
	76,463	69,021
	108,971	95,179

See Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Periods ended July 31, (In thousands of \$)	Three (3) Months		Six (6) Months	
	2008	2007	2008	2007
	\$	\$	\$	\$
OPERATING REVENUES				
Net earnings	4,050	2,211	7,284	3,614
Adjustments for:				
Amortization of property, plant and equipment	600	558	1,183	1,124
Amortization of intangible assets	13	88	26	212
Amortization of other assets	—	3	—	143
Gain on disposal of property, plant and equipment	(764)	(21)	(975)	(21)
Non-cash exchange (gain) loss	(198)	11	(178)	57
Future income taxes	2,032	210	3,779	(165)
Capitalized interest on the interest-free long-term debt	4	5	9	7
Stock option-based compensation	62	44	111	88
Net earnings adjusted	5,799	3,109	11,239	5,059
Changes in non-cash operating working capital items				
Accounts receivable	256	(959)	(4,968)	(3,087)
Short-term and long-term holdbacks on contracts	(647)	1,702	(1,093)	1,785
Work in progress	(292)	(93)	502	1,759
Inventories	(229)	222	(298)	921
Income taxes	64	26	24	29
Prepaid expenses	(582)	(477)	(645)	(197)
Accounts payable and accrued charges	2,428	(602)	4,426	(3,400)
Deferred revenues	2,186	(3,630)	2,746	(4,424)
	3,184	(3,811)	694	(6,614)
Cash flows applied to operating activities	8,983	(702)	11,933	(1,555)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(5,476)	(602)	(7,476)	(1,264)
Acquisition of intangible assets	(372)	(299)	(639)	(369)
Disposal of capital assets, net	—	29	—	29
Decrease in other assets	(1)	—	(1)	2
Cash flows applied to investing activities	(5,849)	(872)	(8,116)	(1,602)
FINANCING ACTIVITIES				
Repayment of bank indebtedness	—	—	—	(263)
Increase in long-term debt	—	219	—	489
Repayment of long-term debt	(606)	(8,105)	(1,013)	(8,710)
Issuance of subordinate voting shares	38	10,692	47	10,707
Cash flows applied to financing activities	(568)	2,806	(966)	2,223
Impact of fluctuation in foreign exchange rate on cash	62	(11)	15	(57)
Net cash inflows (outflows)	2,628	1,221	2,866	(991)
Cash and cash equivalents, at the beginning of the period	7,924	3,804	7,686	6,016
Cash and cash equivalents, at the end of the period	10,552	5,025	10,552	5,025
Supplemental cash flow information				
Income taxes paid	—	—	162	23
Interest paid	146	411	204	926
Non-cash financing and investing activities:				
Property, plant and equipment given in exchange for new ones	1,524	—	2,261	—

See Notes to the Consolidated Financial Statements

Periods Ended July 31, 2008 and 2007

(All tabular figures are in thousands of \$ unless otherwise 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 July 31, 2008 interim financial statements. Consequently, additional information is provided under Note 10.

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 July 31, 2008 interim financial statements. Consequently, additional information is provided under Note 9.

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")

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date for Canadian publicly accountable companies to start using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. 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 July 31, 2008	At January 31, 2008 (Audited)
	\$	\$
Contract receivables	21,447	14,860
Allowance for doubtful accounts	(287)	(287)
	21,160	14,573
Other receivables	1,685	3,304
	22,845	17,877

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

NOTE 5 CREDIT FACILITY

Since June 20, 2008, new terms and conditions are applicable to the \$10,000,000 credit facility further to the conclusion of a term sheet of financing offer. This credit facility bears interest at the basic Canadian bank rates without markup or at the bank acceptance rate plus 1.50% or at the LIBOR rate plus 1.50%, according to the choice of the Corporation, and it is secured by inventories and accounts receivable excluding holdbacks receivable. Under the terms of this credit facility, the Corporation is subject to certain covenants and must respect the following financial ratios:

- maintain at all time a current ratio of at least 1.40:1;
- maintain a quarterly total liabilities to tangible net worth ratio not exceeding 1.00:1;
- maintain an annual interest coverage ratio of at least 1.20:1; and
- maintain a total debt, bearing interest (including authorized credit facility, net of cash and cash equivalents) to earnings before interest, taxes and depreciation and amortization (EBITDA) of the last four quarters, not exceeding 1.25:1 at July 31, 2008 and 1.00:1 during subsequent quarters.

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED CHARGES

	At July 31, 2008	At January 31, 2008 (Audited)
	\$	\$
Suppliers	7,548	3,338
Accrued charges	4,579	3,943
Salaries and fringe benefits	2,074	2,494
	14,201	9,775

NOTE 7 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	66,400	64	–	–	66,400	64	–	–
As at July 31, 2008	21,825,969	126,393	14,343,107	16,001	36,169,076	142,394	–	–

a) Subordinate Voting Shares

The Corporation issued, under its stock option plan, 66,400 subordinate voting shares for a total of \$64,000 (See "Stock Option Plan" hereinafter.)

b) Stock Option Plan

On July 7, 1999, the Corporation established a stock option plan. At July 31, 2008, 3,253,729 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.

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

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

	At July 31, 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	(66,400)	0.71	(205,100)	0.77
Forfeited	(2,800)	0.95	(16,000)	1.60
Outstanding, end of the period	1,509,700	1.04	1,518,900	0.84
Exercisable, end of the period	720,700	0.79	450,100	0.76

As at July 31 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	9.45	6.48	—	6.48
5.12	2,000	9.47	5.12	—	5.12
5.65	60,000	9.71	5.65	—	5.65
2.14	40,000	8.56	2.14	20,000	2.14
1.79	48,000	8.37	1.79	—	1.79
1.63	50,000	6.91	1.63	30,000	1.63
1.14	20,000	7.86	1.14	8,000	1.14
1.05	8,000	7.81	1.05	3,200	1.05
0.71	1,276,700	6.70	0.71	659,500	0.71
	1,509,700	6.96	1.04	720,700	0.79

c) Options Granted After January 31, 2003

The Corporation granted 60,000 options during the six-month period ended July 31, 2008 (57,000 during the fiscal year ended January 31, 2008.) The Corporation has 1,509,700 outstanding stock options as at July 31, 2008, of which 720,700 were exercisable. Total expenses of \$62,000 and \$111,000 were recorded in the consolidated statement of income for the three-month and six-month periods ended July 31, 2008 respectively (\$44,000 and \$88,000 respectively in 2007) with corresponding amounts to the contributed surplus at July 31, 2008.

The fair value of the options granted during the six-month period ended July 31, 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 8 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 July 31,	Three (3) Months		Six (6) Months	
	2008	2007	2008	2007
Numerator				
Numerator applicable to basic and diluted earnings per share	4,050	2,211	7,284	3,614
Denominator (in thousands)				
Average number of shares - basic	36,145	32,405	36,126	31,646
Effect of dilutive instruments:				
— Warrants	—	141	—	123
— Stock options	1,113	1,179	1,164	1,238
Average number of shares - diluted	37,258	33,725	37,290	33,007



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

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 and six month periods ended July 31, 2008 and 2007, a portion of the stock options (and warrants in 2007 only) were included in the computation of diluted earnings per share.

NOTE 9 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; and
- 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 July 31, 2008	At January 31, 2008
	\$	\$
Short-term and long-term liabilities	32,508	26,158
Shareholders' equity	76,463	69,021
Liability to shareholders' equity	0.43:1	0.38:1

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

During the second quarter ended July 31, 2008, the Corporation has respected all covenants on its credit facility, long-term loans as well as on its bonding agreements.

NOTE 10 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.

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

Concentration of credit risk with respect to receivables is mitigated considering the clients' payment history, the available mechanisms of protection in case of non-payment, 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, two clients accounted for 67% of the revenues as at July 31, 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 (60%), the public infrastructures segment (29%), and the industrial complexes segment (11%).

Accounts receivable that were past contractual terms reached 19% as at July 31, 2008 (11% as at April 30, 2008), but these accounts are not considered doubtful. However, the Corporation asserted its rights to secure the collection of a specific contract receivable, which represents more than half of that amount. 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 July 31, 2008, accounts payable and accrued charges that were due in the next 12 months totalled \$12,127,000. 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 July 31, 2008, in addition to a \$10,000,000 credit facility that was not used, the Corporation had cash and cash equivalents totalling \$10,552,000. 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 94% of its revenues for the six-month period ended July 31, 2008, was recorded in U.S. dollars (89% for the six-month period ended July 31, 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 three-month and six-month periods ended July 31, 2008.

As at July 31, 2008, the assets and liabilities denominated in U.S. dollars, included the following amounts in Canadian dollars:

	\$
Cash and cash equivalents	3,750
Accounts receivable	20,567
Holdbacks on contract receivable	4,437
Work in progress	224
Future income tax assets	17,336
Other assets	13
	46,327
Accounts payable and accrued charges	3,965
Deferred revenues	5,487
Long-term debt	9,216
	18,668
Net currency risk	27,659

Consequently, a \$0.01 fluctuation in the exchange rate between the Canadian and U.S. dollars could result in a \$270,000 variation on earnings before income taxes.

Interest Rate Risk

The Corporation is 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 July 31, 2008, a 1% fluctuation in the effective rate would have approximately resulted in a \$95,000 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.

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

NOTE 11 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.

Periods ended July 31,	Revenues			
	Three (3) Months		Six (6) Months	
	2008	2007	2008	2007
	\$	\$	\$	\$
Canada	2,181	1,621	3,054	2,640
United States	21,813	12,146	46,099	22,046
	23,994	13,767	49,153	24,686

	Property, Plant and Equipment	
	At July 31, 2008	At January 31, 2008 (Audited)
	\$	\$
Canada	40,083	32,889
United States	267	193
	40,350	33,082

During the first six-month period ended July 31, 2008, 67% of the Corporation's revenues was achieved with two clients, each of which accounted for more than 10% of revenues.

NOTE 12 COMPARATIVE FIGURES

Certain period figures of 2007 have been reclassified to conform to the presentation adopted in 2008.