INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND OPERATING RESULTS

Three-Month Period Ended April 30, 2016

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1. GENERAL

The purpose of this management's discussion and analysis of the financial position and operating results ("MD&A") is to provide the reader with an overview of the changes in the financial position of ADF Group Inc. ("ADF", "ADF Group" or "the Corporation") between February 1, 2016 and April 30, 2016. It also compares the operating results and cash flows for the three-month period ended April 30, 2016 to those for the same period of the previous year. This MD&A covers all major events that occurred between February 1, 2016 and June 14, 2016, on which date ADF Group Inc.'s Board of Directors approved the consolidated financial statements, as well as the MD&A for the three-month period ended April 30, 2016.

This MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements and the notes thereto for the three-month period ended April 30, 2016. The unaudited condensed interim consolidated financial statements and the comparative information have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable to interim financial reports, including International Accounting Standard 34 "Interim Financial Reporting".

The Corporation reports its results in Canadian dollars. All amounts in this MD&A are expressed in Canadian dollars, except where otherwise indicated.

2. FORWARD-LOOKING STATEMENTS

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

Such factors include, but are not limited to: the impact of economic conditions in Canada and the United States; industry conditions including amendments in laws and regulations; increased competition; potential shortfall of qualified personnel or managers; availability and fluctuations in commodity prices; foreign exchange or interest rate fluctuations; stock market volatility; and the impact of accounting policies issued by Canadian, U.S. and international standard setters. Some of these factors are further discussed under Section 19 "External Factors to Which the Corporation's Performance is Exposed" in this MD&A. It should be noted that the list of factors that may affect future growth, results and performance, provided in this MD&A, is not exhaustive. The reader should not place undue reliance on forward-looking statements.

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

3. OVERVIEW

From a blacksmith shop founded in 1956, ADF Group has become over the years a North American leader in the design and engineering of connections, fabrication, including industrial coating, and installation of complex steel structures, heavy steel built-ups, as well as miscellaneous and architectural metalwork. The Corporation's products and services are intended for the following five principal segments of the non-residential construction industry: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes and transport infrastructures.

The Corporation uses the latest technologies in its industry and operates two state-of-the-art fabrication plants and two cutting-edge paint shops. ADF Group's complex located in Canada houses the Corporation's head office, the 58,530-square-metre (630,000-square-foot) fabrication plant, which includes the 3,900 square-meter (42,000 square feet) paint shop. ADF's complex in the United-States is home to the 9,290-square-metre (100,000 square feet) fabrication plant, the 60-acre pre-assembly yard and the 4,460-square-meter (48,000 square feet) paint shop built next to the fabrication plant.

A pioneer in the development and implementation of innovative solutions, the Corporation is recognized for its engineering expertise, its project management, its important fabrication capacity and its skills in two specialized market niches: the fabrication of steel superstructures with a high level of architectural and geometric complexity, and projects subject to fast-track schedules. ADF Group's commitment to deliver every project in accordance with the industry's highest quality standards constitutes a core aspect of the Corporation's mission.

4. COMMERCIAL POSITIONING

ADF Group serves a diversified client base in the non-residential construction market in Canada and the United States:

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

5. MARKET TRENDS

The non-residential construction industry includes the products and services related to the construction of commercial, institutional and industrial buildings, such as office towers, commercial buildings, hotels, sports complexes, museums, recreational complexes, as well as manufacturing plants and other industrial facilities. This sector also encompasses public works, including the construction and renovation of infrastructures and buildings, notably, hydroelectric dams, airports, bridges and overpasses. It should be noted that the demand in this sector is related to business cycles. Generally, there are more private projects in a bull cycle, whereas government projects take over in a bear cycle.

According to Management, approximately half of the non-residential projects use structural steel as a structural component, while the other half primarily uses concrete. Generally, structural steel accounts for about 10% to 20% of a project's total cost, depending on the project's nature. Structural steel offers a number of advantages when compared to other materials, which explains its increasing use in the construction of complex structures. These advantages include durability, speed of installation, greater flexibility in fast-track projects, lower installation and maintenance costs, as well as its high strength/weight ratio as a result of improved alloys.

Generally, there are more complex steel structure projects in the United States than in Canada, which can result in a certain dependence of the Corporation on the U.S. market.

The markets served by the Corporation continue to grow, although at different rates. The Canadian market is still affected by the financial health of the provinces which must make difficult decisions, such as reducing the debt, while promoting their own economies. These objectives can sometimes be difficult to achieve at the same time. In addition, the oil prices, together with the recent forest fires in Northern Alberta, undermine its financial health of this province, which has been an economic growth-generating market for a long time. Over the next months, we will know more about the impact that Alberta will have on the rest of the Canadian economy.

The picture is more positive in the United States. Most of the states where ADF is active show clear signs of growth. As we explained in our recent publications, Florida, which is one of the Corporation's traditional market, is in full swing and should be a promising market for ADF Group. There are also very promising markets west of the Great Lakes. Our new facilities in Great Falls are naturally well-positioned to efficiently serve these markets.

In conclusion, the number of bids on which our teams are working on is on the rise. Our marketing efforts are beginning to reach their targets and our geographic location allows us to maximize our offer and cover all four corners of North America.

6. SIGNIFICANT EVENTS OF THE THREE-MONTH PERIOD ENDED APRIL 30, 2016

On February 22, 2016, the Corporation drew the second tranche of $5.0 million of the new loan received during the third quarter of the 2016 fiscal year. The Corporation obtained a long-term loan, which could reach $20.0 million from a government corporation, to finance, among others, its working capital. The first $5.0 million was received at the issuance of the loan in August 2015, whereas the final tranche of $10.0 million will be issued, when appropriate, at the Corporation's request, under certain conditions.

On March 30, 2016, the Corporation announced the award of a series of commercial agreements, totalling in excess of $43 million. These new orders were mostly awarded in Quebec and in the U.S. East Coast. These new orders mainly consist in the fabrication work, which includes the shop drawings and the supply of the raw material (steel), as well as the application of special industrial coatings and installation of various steel structures and heavy steel built-up components for industrial and commercial buildings and transport infrastructure projects, including the new Champlain Bridge project in Montreal. These new projects will extend until July 2017.

On April 13, 2016, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per share that was paid on May 16, 2016 to shareholders of record as at April 29, 2016.

7. EXCHANGE RATE

The Corporation is subject to foreign currency fluctuations from the translation of revenues, expenses, assets and liabilities of its foreign operations and from commercial transactions denominated in foreign currencies. Average monthly rates (considered a reasonable approximation to actual rates at the date of transactions) are used to translate revenues (except for forward foreign exchange contracts) and expenses for the periods mentioned, while closing rates translate assets and liabilities.

During the three-month period ended April 30, 2016, as well as during each of the four quarters of the previous fiscal year, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

(CA$/US$)	Statements of Income and Comprehensive Income	Statements of Financial Position
First quarter (April 30, 2015)	1.2482	1.2064
Second quarter (July 31, 2015)	1.2478	1.3080
Third quarter (October 31, 2015)	1.3160	1.3075
Fourth quarter (January 31, 2016)	1.3734	1.4006
First quarter (April 30, 2016)	**1.3263**	**1.2548**

During the three-month period ended April 30, 2016, the Canadian dollar somewhat rebounded in relation to the US dollar. The closing rate, at 1.2548, is 10% below the rate three month ago. This variation would have reduced the value of the US-denominated assets by the same percentage, since January 31, 2016. The quarter's average exchange rate has also decreased during the quarter, however by only 3.5%. The average rate for the quarter ended April 30, 2016, was nevertheless 6.3% higher than the average rate recorded during the first quarter ended on April 30, 2015.

The variation in the exchange rate had a positive impact of $0.4 million on the Corporation's gross margin for the quarter ended April 30, 2016.

8. NON-GAAP MEASURES

The financial information in this MD&A has been prepared in accordance with IFRS, with the exception of certain financial indicators that do not have standardized meaning as prescribed by IFRS and therefore are considered non-generally accepted accounting principles ("GAAP"). When such indicators are used, they are defined and the reader is informed. The Corporation uses the following non-GAAP indicators to measure its operating performance and the achievement of objectives:

	3-Month Periods Ended April 30,		12-Month Periods Ended January 31,	
	2016	2015	2016	2015
Working capital (in thousands of dollars)	**$24,407**	$18,252	$20,961	$19,476
Current ratio	**2.48:1**	2.02:1	1.96 :1	1.88 :1
Long-term debt to shareholders' equity ratio	**0.18:1**	0.09:1	0.14:1	0.10:1
Total debt, net of liquidities (total liquidities, net of debt) (in thousands of dollars)	**$18,152**	$4,951	$12,842	$1,402
Total cash, cash equivalents and short-term investments, net of long-term debt, to shareholders' equity ratio	**(0.17):1**	(0.05):1	(0.12):1	(0.01):1
Liabilities to shareholders' equity ratio	**0.36:1**	0.29:1	0.36:1	0.33:1
Earnings before interest, tax, depreciation and amortization (EBITDA) (in thousands of dollars)	**$3,043**	$1,838	$7,244	$1,594
EBITDA margin (as a percentage of revenues)	**12.0%**	6.4%	7.4%	2.1%
Book value per share (in dollars)	**$3.19**	$3.09	$3.30	$3.20
Return on shareholders' equity	**2.5%**	(2.0)%	1.6%	(1.5)%

For the definition of the financial indicators herein below, see Section 10 "Non-GAAP Measures" of the Management's Discussion and Analysis of the Financial Position and Operating Results for the Fiscal Year Ended January 31, 2016.

a) EBITDA and EBITDA Margin

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

— Financial revenues and financial expenses;
— Income tax expense;
— Foreign exchange gains or losses; and
— Depreciation and amortization of property, plant and equipment and intangible assets.

Net income is reconciled with EBITDA in the table below:

Three-Month Periods Ended April 30,	**2016**	2015
(In thousands of dollars and in percentages)	**$**	$
Net income	**965**	57
Income tax expense	**381**	105
Financial revenues	**(35)**	(16)
Financial expenses	**190**	98
Amortization	**1,167**	1,106
Foreign exchange loss	**375**	488
EBITDA	**3,043**	1,838
— As a % of revenues	**12.0%**	6.4%

9. **ANALYSIS OF OPERATING RESULTS FOR THE THREE-MONTH PERIOD ENDED APRIL 30, 2016**

a) **Revenues and Gross Margin**

Three-Month Periods Ended April 30,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Revenues	**25,440**	28,682	(3,242)	(11.3)
Cost of goods sold	**19,306**	25,114	(5,808)	(23.1)
Gross margin	**6,134**	3,568	2,566	71.9
— As a % of revenues	**24.1%**	12.4%		11.7

Revenues

Revenues during the three-month period ended April 30, 2016, totalled $25.4 million, down by $3.2 million compared with the same period of the 2016 fiscal year.

The revenues are determined on the basis of the costs incurred on the various projects executed by the Corporation during the period. During the quarter ended April 30, 2015, raw material costs were $5.1 million higher than those during the quarter ended April 30, 2016, explaining mainly the variation in revenues.

In terms of economic dependency, 79% of the Corporation's revenues during the three-month period ended April 30, 2016, were realized with three (3) clients for respective amounts of $11.2 million from Canada and the United States, and $6.3 million and $2.6 million from the United States (70% of the revenues during the three-month period ended April 30, 2015, were realized with three (3) clients for respective amounts of $12.1 million from the United States, and $4.9 million and $3.2 million from Canada), and therefore each client accounted for more than 10% of the Corporation's revenues.

Although the Corporation attempts to limit the concentration of its revenues, given the nature of its activities and market, its revenues are likely to remain concentrated among a restricted number of clients in upcoming quarters.

Gross Margin

The gross margin in dollar value increased by $2.6 million during the three-month period ended April 30, 2016, compared with the same period ended April 30, 2015. As a percentage of revenues, the gross margin went from 12.4% during the three-month period ended April 30, 2015 to 24.1% for the period ended April 30, 2016.

This increase as a percentage of revenues is for the most part explained by a better absorption of the costs related to increase in the volume of fabrication, as well as certain non-recurrent adjustments, which mainly result from positive adjustments in occupational health and safety costs, as well as steel scrap inventory. Without these adjustments, the gross margin would have been of 20.2%

In addition, the percentage of revenues from the Corporation's fabrication activities went from 41% during the quarter ended April 30, 2015, to 58% during the quarter ended April 30, 2016, and therefore improving the margins, given the added-value of this activity.

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

b) **Selling and Administrative Expenses**

Three-Month Periods Ended April 30,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Selling and administrative expenses	**4,258**	2,836	1,422	50.1
— As a % of revenues	**16.7%**	9.9%		6.8

Selling and administrative expenses amounted to $4.3 million, posting a $1.4 million increase compared with the same period ended April 30, 2015. The increase in dollar value stems mainly from the changes made to the Directors, Executive officers and key employees' compensation programs. In order to align the compensation of Directors, Executive Officers and key employees with the Corporation's performance, and in light of the benchmarking conducted by an independent consulting firm, Deferred Share Units (DSU) were awarded on February 1, 2016, on a discretionary basis, to five (5) External Directors and four (4) Executive Officers and key employees of the Corporation. Directors can vest their DSU upon grant, whereas Executive Officers and key employees will vest their DSU over a five-year period. The expense recorded during the quarter ended April 30, 2016 for all DSU totalled $0.6 million.

In addition to the aforementioned impact, the increase in selling and administrative expenses is also attributable to the increase in bid costs, marketing efforts, and certain temporary differences, which will reverse during the coming quarters.

c) **Amortization**

In accordance with IFRS standards, amortization expense is included in cost of goods sold and selling and administrative expenses (see Note 10 "Classification of Expenses per Nature" to the Unaudited Condensed Interim Consolidated Financial Statements as at April 30, 2016, included in this MD&A). However, Management considers it appropriate to continue separately commenting on the trend in amortization expense since it is considered a significant, although non-cash, component in the analysis of the Corporation's profit margins.

Three-Month Periods Ended April 30,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization	**1,167**	1,106	61	5.5
— As a % of revenues	**4.6%**	3.9%		0.7

The amortization expense during the three-month period ended April 30, 2016 was substantially the same as for the three-month period ended April 30, 2015, and was distributed as follows:

Three-Month Periods Ended April 30,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Amortization expense included in cost of goods sold	**913**	896	17	1.9
Amortization expense included in selling and administrative expenses	**254**	210	44	21.0
Total amortization	**1,167**	1,106	61	5.5

d) **Financial Revenues and Financial Expenses**

Three-Month Periods Ended April 30,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Financial revenues	**(35)**	(16)	(19)	Neg.
Financial expenses	**190**	98	92	93.9
	155	82	73	89.0
— As a % of revenues	**0.6%**	0.3%		0.3

The increase in net financial expense during the quarter ended April 30, 2016, is explained by the issuance of new debt totalling $10.0 million, since the end of the three-month period ended April 30, 2015 (See Section 11 "Cash Flows and Financial Position").

e) **Foreign Exchange Loss**

Three-Month Periods Ended April 30,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Foreign exchange loss	**375**	488	(113)	(23.2)
— As a % of revenues	**1.5%**	1.7%		(0.2)

The foreign exchange loss recorded during the quarter ended April 30, 2016, includes a $2.1 million foreign exchange loss on ongoing operations and a $1.7 million realized and not realized foreign exchange gain relating to the fair value of financial derivatives. During the three-month period ended April 30, 2016, a $4.1 million foreign exchange loss on the translation of foreign subsidiaries was recorded in comprehensive income.

As for the $0.5 million foreign exchange loss of recorded during the three-month period ended April 30, 2015, it came mainly from ongoing operations. A $1.8 million foreign exchange loss on the translation of foreign subsidiaries was recorded in comprehensive income during the three-month period ended April 30, 2015.

The Corporation is exposed to exchange rate fluctuations between the Canadian and U.S. dollars since a significant portion of its revenues is usually generally recorded in U.S. dollars. During the three-month period ended April 30, 2016, the portion of revenues realized in U.S. dollars was 60% (66% during the three-month period ended April 30, 2015, and 58% during the fiscal year ended January 31, 2016). Considering the improvement in U.S. markets and the commissioning of its new fabrication plant and new paint shop in Great Falls, Montana, the Corporation expects that the percentage of its revenues in U.S. dollars should continue to increase in fiscal 2017.

During the three-month period ended April 30, 2016, in line with its hedging policy and given the increase in its net risk between future U.S. denominated cash inflows and outflows, the Corporation used the following derivative financial instruments, which are classified as held-for-trading and measured at their fair value at the end of each period, since they are not designated as part of an effective hedging relationship.

The detail of the derivative financial instruments on hand as at April 30, 2016, was as follows:

	As at April 30, 2016			
	In thousands of US$ (1)	In thousands of CA$ (1)	Average rate	Maturity date
Foreign exchange forward contracts	**2,000**	**2,740**	**1.3700**	**May 02, 2016**
	2,000	**2,632**	**1.3162**	**July 29, 2016**
	2,625	**3,617**	**1.3779**	**July 29, 2016**
	2,000	**2,631**	**1.3156**	**October 31, 2016**
	1,000	**1,386**	**1.3864**	**October 31, 2016**
	1,000	**1,315**	**1.3146**	**January 31, 2017**
	3,200	**4,013**	**1.2542**	**January 31, 2017**
	1,000	**1,384**	**1.3837**	**April 28, 2017**
Foreign currency options	**1,000**	**1,240**	**1.2400**	**July 29, 2016**
	(1,280)	**(1,000)**	**1.2800**	**July 29, 2016**
	1,000	**1,240**	**1.2400**	**October 31, 2016**
	(1,280)	**(1,000)**	**1.2800**	**October 31, 2016**
	800	**1,096**	**1.3700**	**January 31, 2017**
	(1,120)	**(800)**	**1.4005**	**January 31, 2017**

(1) A positive amount represents the sale of U.S. dollars, whereas a negative amount represents the purchase of U.S. dollars.

Based on the balance of the Corporation's financial instruments denominated in foreign currencies, as at April 30, 2016, a 10% fluctuation in the exchange rate between the Canadian and the U.S. dollars (all other variables remaining constant) would have resulted in a $0.5 million variation in net income before income tax, and a $0.3 million variation in comprehensive income before income tax. However, this information only applies to financial instruments based on period-end balances and does not take into account the impact of foreign exchange fluctuations on revenues and other miscellaneous expenses for a complete fiscal year.

f) **Income Tax Expense**

Three-Month Periods Ended April 30,	**2016**	2015	Changes 2016/2015	
(In thousands of dollars and in percentages)	**$**	$	$	%
Income tax expense	**381**	105	276	262.9
— As a % of revenues	**1.5%**	0.4%		1.1

For the three-month period ended April 30, 2016, the income tax expense represented an average effective tax rate of 28.3%, compared with an average effective tax rate of 65% for the same period of the 2016 fiscal year. The difference between these rates and the Corporation's Canadian effective rate (27%) is mainly explained by the breakdown of income before income tax (profits or losses) from U.S. and Canadian jurisdictions which use different income tax rates. This breakdown was particularly negative during the quarter ended April 30, 2015, since the US subsidiaries of the Corporation, which have a tax rate higher than 40%, generated profits, whereas the Canadian operations recorded a loss before income with a recovery of only 27%.

A balance of $2.6 million relating to net deferred income tax assets remained available as at April 30, 2016. This will have a favourable impact on the future cash outflows of the Corporation, which will not have to pay future income taxes until the full amount of available tax attributes has been used in the different jurisdictions where the Corporation executes contracts. Once these future tax attributes are fully used in a given jurisdiction, the Corporation will be required to resume paying income taxes in that jurisdiction.

g) **Net Income, Basic and Diluted Earnings per Share**

Three-Month Periods Ended April 30,	**2016**	2015
(In thousands of dollars and in dollars per share)	**$**	$
Total net income	**965**	57
— As a % of revenues	**3.8%**	0.2%
Total basic earnings per share	**0.03**	0.00
Total diluted earnings per share	**0.03**	0.00

The increase in net income during the three-month period ended April 30, 2016, compared with the same period of a year ago is for the most part explained by the previously described reasons.

10. COMPARATIVE INFORMATION FOR THE LAST EIGHT QUARTERS

The trends observed in the analysis of quarterly results do not necessarily represent those of the future results of the Corporation. ADF's activities are not, as such, subject to seasonal fluctuations. However, the non-residential construction market in which the Corporation is active goes through upward and downward cycles.

Overall, quarterly fluctuations in the following indicators result mainly from the changes in the revenue mix and the costs recognized on different projects underway and for each given period, together with the lags between the recognition of costs and revenues, where appropriate, that could result from the use of estimates based on the percentage-of-completion method.

More specifically, and in light of the results for the last eight quarters presented below, the variations from one quarter to the other are mostly explained by the respective fabrication schedules of the various projects announced by the Corporation. Considering that revenues are established based on incurred costs on these different projects carried out by the Corporation, revenues and operating results can differ significantly from quarter to quarter because of these execution schedules.

Fiscal Years	**2017**	2016				2015		
Three-Month Periods Ended	**1st Quarter (04.30.2016)**	4th Quarter (01.31.2016)	3rd Quarter (10.31.2015)	2nd Quarter (07.31.2015)	1st Quarter (04.30.2015)	4th Quarter (01.31.2015)	3rd Quarter (10.31.2014)	2nd Quarter (07.31.2014)
(In thousands of dollars and in dollars per share)	**$**	$	$	$	$	$	$	$
Revenues	**25,440**	29,084	21,260	19,063	28,682	18,750	12,471	20,435
Gross margin	**6,134**	4,063	4,500	1,889	3,568	1,456	777	2,202
— As a % of revenues	**24%**	14%	21%	10%	12%	8%	6%	11%
EBITDA (1)	**3,043**	2,083	2,848	475	1,838	203	(511)	496
— As a % of revenues	**12%**	7%	13%	2%	6%	1%	(4)%	2%
Income before income tax expense (recovery)	**1,346**	1,521	1,524	(420)	162	(872)	(1,610)	(651)
— As a % of revenues	**5%**	5%	7%	(2)%	1%	(5)%	(13)%	(3)%
Net income	**965**	1,138	1,041	(537)	57	(554)	(1,140)	(347)
— Basic per share	**0.03**	0.03	0.03	(0.02)	0.00	(0.02)	(0.04)	(0.01)
— Diluted per share	**0.03**	0.03	0.03	(0.02)	0.00	(0.02)	(0.04)	(0.01)

(1) See Section 8 "Non-GAAP Measures" for the definition of EBITDA.

11. CASH FLOWS AND FINANCIAL POSITION

The Corporation posts a sound financial position and is on a solid footing to address its financial needs. Taking into account its cash and cash equivalents position, its credit facility and the level of planned capital spending, the Corporation does not expect any liquidity risk in a foreseeable future.

As at April 30, 2016, the Corporation had $0.8 million in cash, cash equivalents and short-term investments, which is $1.6 million less than at January 31, 2016.

Management believes that these available funds, considering the available credit facilities, will allow it to support the execution of its order backlog in hand on April 30, 2016, and to meet its expected financial commitments for the 2017 fiscal year.

Furthermore, the Corporation continually appraises the opportunities to use part of its liquidities to finance certain projects that could provide additional long-term competitive advantages (see Section 24 "Outlook"). It also looks at opportunities for accelerated payments discounts negotiated with suppliers.

a) Operating Activities

During the three-month period ended April 30, 2016, the Corporation generated cash flow from its operating activities and assigned it as follows:

Three-Month Periods Ended April 30,	**2016**	2015
(In thousands of dollars)	**$**	$
Net income adjusted for non-cash items	**3,254**	1,220
Changes in non-cash operating working capital items:		
Accounts receivable	**(3,495)**	(808)
Holdbacks on contracts	**(145)**	1,177
Work in progress	**3,071**	1,801
Inventories	**(257)**	29
Prepaid expenses and others current assets	**555**	(1,122)
Accounts payable and other current liabilities	**(3,949)**	(1,361)
Deferred revenues	**(34)**	(2,547)
	(4,254)	(2,831)
	(1,000)	(1,611)
Income tax paid	**(777)**	—
Cash flows from (used in) operating activities	**(1,777)**	(1,611)

Net income adjusted for non-cash items, totalling $3.3 million during the three-month period ended April 30, 2016, was $2.0 million higher than for the same period ended April 30, 2015. This increase results mainly from the increase in net income and the change in net income adjusted for non-cash items, such as the grant of DSUs or the non-cash foreign exchange loss.

During the three-month period ended April 30, 2016, the changes in non-cash operating working capital items used cash outflows of $4.3 million, which are mostly explained by the increase in accounts receivable and the decrease in accounts payable and other current liabilities. These variations are attributable to the schedules of the different contracts that are currently underway.

During the three-month period ended April 30, 2015, the changes in non-cash operating working capital items used cash outflows of $2.8 million, which were mostly explained by a decrease in deferred revenues and accounts payable and other current liabilities (respectively totalling $2.5 million and $1.4 million) and by the increase in prepaid expenses and other current assets ($1.1 million), net of the decrease in holdbacks on contracts and work in progress (respectively $1.2 million and $1.8 million).

b) **Investing Activities**

The Corporation's investing activities are summarized as follows:

Three-Month Periods Ended April 30,	**2016**	2015
(In thousands of dollars)	**$**	$
Net acquisition of property, plant and equipment	**(4,192)**	(1,622)
Acquisition of intangible assets	**(102)**	(88)
Decrease (increase) in other non-current assets	**(10)**	650
Interest received	**35**	13
Cash flows from (used in) investing activities	**(4,269)**	(1,047)

During the three-month period ended April 30, 2016, $4.3 million in liquidities were used, mostly to complete the construction of the new paint shop in Terrebonne.

During the three-month period ended April 30, 2015, $1.0 million in liquidities were used, mostly to complete the construction of the paint shop in Great Falls, Montana.

The Corporation estimates capital expenditures for fiscal 2017 at approximately $5.0 million, which will primarily be used to maintain the fabrication equipment current at both of ADF's plants in Terrebonne, Quebec and Great Falls, Montana.

c) **Financing Activities**

The Corporation's financing activities were as follows:

Three-Month Periods Ended April 30,	**2016**	2015
(In thousands of dollars)	**$**	$
Issuance of long-term debt	**5,000**	—
Repayment of long-term debt	**(207)**	(187)
Subordinate voting share repurchase	**—**	(1,800)
Issuance of subordinate voting shares	**—**	563
Interest paid	**(194)**	(100)
Cash flows from (used in) financing activities	**4,599**	(1,524)

During the three-month period ended April 30, 2016, financing activities generated liquidities of $4.6 million, compared with a cash outflow of $1.5 million for the same quarter the previous year. This cash inflow stems from the second $5.0 million tranche of the new long-term loan contracted during the 2016 fiscal year (see Section 6 "Significant Events of the Three-Month Period Ended April 30, 2016").

During the three-month period ended April 30, 2015, financing activities used liquidities of $1.5 million mostly for the repurchase of 750,000 subordinate voting shares, following the exercise of the stock options previously granted to Mr. Jean Paschini, Mr. Pierre Paschini and Ms. Marise Paschini.

During the three-month period ended April 30, 2016, the Corporation did not issue subordinate voting shares (793,400 shares were issued during the three-month period ended April 30, 2015).

d) **Payment of Rents and Interest and Payment of Principal on Debt**

The Corporation pays interest on its long-term loans. The interest rates on these loans were between 1.98% and 4.7% as at April 30, 2016. The Corporation is making total monthly principal repayments of US$0.1 million on these loans. Other rent payments are described under Note 25 "Commitments and Guarantees" of the Notes to the Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2016.

e) **Debt Covenants**

As at April 30, 2016, the Corporation respected all of the covenants with its lenders, and still did at the date hereof. Management expects it will continue to respect its commitments during the fiscal year 2017.

f) **Commitments Related to Letters of Credit as at April 30, 2016**

The Corporation contracted letter of credits, the balance of which was $4.9 million as at April 30, 2016, compared with $4.6 million as at April 30, 2015 and $5.4 million as at January 31, 2016.

12. **CAPITAL STOCK**

Information on the outstanding shares, including stock options:

(In thousands of dollars, and in number of shares and options)	Subordinate Voting Shares		Multiple Voting Shares (1)		Total Outstanding Shares		Stock Options
	Number	$	Number	$	Number	$	Number
As at January 31, 2015	18,191,035	53,184	14,343,107	16,001	32,534,142	69,185	1,426,064
Issued on exercise of stock options	887,400	1,174	—	—	887,400	1,174	(887,400)
Share repurchase (2)	(800,000)	(2,282)	—	—	(800,000)	(2,282)	—
Granted (forfeited)	—	—	—	—	—	—	(77,000)
As at January 31, 2016 and April 30, 2016	**18,278,435**	**52,076**	**14,343,107**	**16,001**	**32,621,542**	**68,077**	**461,664**

(1) These shares carry 10 votes per share.
(2) See Section 14 "Normal Course Issuer Bid".

As at April 30, 2016 and January 31, 2016, the Corporation had 32,651,542 shares outstanding. During the three-month period ended April 30, 2016, the Corporation did not grant stock options and did not issue subordinate voting shares, under its Stock Options Plan (no stock options were granted and 793,400 shares were issued during the three-month period ended April 30, 2015). At the date hereof, being June 14, 2016, the number of shares outstanding remained practically unchanged.

On April 30, 2016, a total of 461,664 stock options were issued and outstanding. These options, which had a weighted average life of 4.5 years before maturity, had a weighted average exercise price of $2.68 (see Note 7 "Stock Options" to the Unaudited Condensed Interim Consolidated Financial Statements for the Three-Month Period Ended April 30, 2016).

13. **DEFERRED SHARE UNITS PLAN**

a) **External Directors**

This deferred compensation plan allows every external director, who wants to participate, to defer in whole or in part his/her director's compensation (including fees and attendance fees), by electing to receive a percentage of this compensation in the form of DSUs, which will be bought back in cash by the Corporation on the date the external director ceases to be a director of the Corporation by reason of death, retirement or loss of function as director.

When a director elects to participate in this plan, the Corporation credits the account of the director for a number of units equal to the deferred compensation divided by the market value of the subordinate voting shares, which is established using the average closing price during the five (5) trading days preceding the date of grant. DSU are not convertible into shares of the Corporation and do not result in a dilution to shareholders.

When the Corporation pays dividends on subordinate and multiple voting shares, the accounts of the directors, executive officers and key employees are credited for the amount in the form of additional units using the same basis of calculation previously described.

For every DSU awarded, as well as for the variation in fair value, the Corporation recognizes a compensation expense with the counterpart in "Accounts payable and other current liabilities" of the Consolidated Statement of Financial Position.

During the three-month periods ended April 30, 2016 and 2015, the DSU compensation amounted to $556,000 and $14,000 respectively, each representing 179,477 units and 6,137 units. The DSU compensation for the three-month period ended April 30, 2016, include 175,000 units granted on a discretionary basis, for a total amount of $543,000.

Three-Month Periods Ended April 30,	**2016**	2015
(Number of deferred share units)		
Outstanding, at the beginning of period	**121,346**	175,645
Attributed	**179,477**	6,137
Outstanding, at the end of period	**300,823**	181,782

The DSU's are re-evaluated at fair market value at the end of each reporting period until the vesting date, using the market price of the Corporation's subordinate voting shares. During the three-month period ended April 30, 2016, amount affected the compensation expense, since the outcome of the re-evaluation was immaterial. During the three-month period ended April 30, 2015, this re-evaluation generated a $23,000 increase to the compensation expense.

b) **Executive Officers and Key Employees**

As set forth in the DSU Plan (see Section 18 "Deferred Share Units Plan" of the Management's Discussion and Analysis of the Financial Position and Operating Results for the Fiscal Year Ended January 31, 2016), on February 1, 2016, the Corporation granted, on a discretionary basis, Executive Officers and key employees a total of 236,162 units of DSUs, the vesting of which will extend over a 5-year period, at a rate of 20% per year. The vested DSUs will be bought back in cash by the Corporation on the date its holder ceases to be an officer or employee of the Corporation by reason of death, retirement or loss of function as officer or employee.

The DSU are recognized as they are vested and their costs is determined using a valuation model, and re-evaluated at each reporting period. The share-based compensation expense, totalling $81,000, was recorded in the Consolidated Statement of Income for the Three-Month Period Ended April 30, 2016, and the corresponding amount was recognized in accounts payable and other current liabilities in the Consolidated Statements of Financial Position.

14. **NORMAL COURSE ISSUER BID**

On May 30, 2014, the Corporation announced the renewal of its normal course issuer bid ("NCIB") under which it is able to repurchase, for cancellation purposes, up to 1,375,824 of its subordinate voting shares between June 4, 2014 and June 3, 2015. These 1,375,824 shares represent approximately 10% of the public float of subordinate voting shares. During the three-month periods ended April 30, 2015, beside the repurchase of 750,000 subordinate voting shares previously mentioned, the Corporation did not redeem subordinate voting shares under NCIB program.

15. **DIVIDEND**

On April 13, 2016, the Corporation's Board of Directors approved a semi-annual dividend of $0.01 per subordinate and multiple voting shares, which was paid on May 16, 2016, to shareholders of record as at April 29, 2016.

16. **ORDER BACKLOG**

ADF Group's order backlog totalled $78.4 million on April 30, 2016, compared with $65.3 million on the same date a year earlier and $70.6 million on January 31, 2016. This variation, compared with January 31, 2016, is attributable to the newly signed contracts and contractual changes, net of the execution of contracts and the impact of the exchange rate on US-denominated contracts.

As at April 30, 2016, 73% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity – compared with 61% on January 31, 2016. Most of the contracts on hand as at April 30, 2016, will be progressively executed between now and the second quarter of the 2018 fiscal year.

17. **FINANCIAL POSITION**

As at April 30, 2016, the Corporation had a sound financial position. The Corporation's solid consolidated statement of financial position allowed it to obtain, when required, the necessary bonding for the award of large-scale contracts. This represents a major advantage for ADF within its markets.

The following table provides details on the major changes in the Consolidated Statement of Financial Position between January 31, 2016 and April 30, 2016.

Sections	**Changes**	**Explanatory Notes**
	(In millions of dollars)	
Cash, cash equivalents and short-term investments	**(1.6)**	Refer to Section 11 "Cash Flows and Financial Position" herein above.
Accounts receivable	**1.4**	Increase in the level of billing as at April 30, 2016, in line with progress schedules.
Work in progress/Deferred revenues (net)	**(3.0)**	Net difference between the work in progress and the progressive billing of revenues.
Derivative financial instruments (net)	**(1.6)**	Impact from the fluctuation in the market values of financial instruments, mostly the impact of the exchange rate on foreign exchange contracts on hand as at April 30, 2016.
Property, plant and equipment and intangible assets	**(2.0)**	Difference resulting from amortization ($1.2 million), the impact of the exchange rate ($5.1 million), net of the acquisition of property, plant and equipment and intangible assets ($4.3 million).
Accounts payable and other current liabilities	**(4.6)**	In line with the level of activity as at April 30, 2016 and more specifically the higher level in purchasing activities as at January 31, 2016, which increased the balance in accounts payable at that date.
Long-term debt (including current portion)	**3.7**	Variation resulting from the impact of the exchange rate on US-denominated debts ($1.1 million) and the repayment of debts ($0.2 million), net of the issuance of the second $5.0 million tranche of the financing negotiated during the 2016 fiscal year.
Accumulated other comprehensive income	**(4.1)**	Impact of the variation in the foreign exchange rates on the translation of foreign operations.

18. CURRENT ECONOMIC ENVIRONMENT

Although the trends are improving in certain markets served by the Corporation, a degree of uncertainty remains regarding the economic context. In times of economic uncertainty, the Corporation is faced with the following challenges:

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

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

From a financing point of view, the Corporation has a solid financial position and currently respects all its financial covenants. It expects it will continue to do so during the next 12 months. Capital expenditures are subject to very close monitoring by Management. The Corporation does not anticipate any liquidity problems, in particular since its principal credit facility is issued by a Canadian chartered bank with a solid credit rating, and the Corporation's major clients are leaders in their respective fields. Based on the foregoing, the Corporation maintains its short-term prospects (see Section 24 "Outlook") and does not currently foresee any short-term elements that could compromise its course of business.

That being said, and in light of the fact that the Corporation does not enjoy all the visibility from which it normally benefits in its markets, the Corporation will continue to use caution and will closely monitor the situation (see Sections 19 "External Factors to Which the Corporation's Performance is Exposed" and 24 "Outlook").

19. EXTERNAL FACTORS TO WHICH THE CORPORATION'S PERFORMANCE IS EXPOSED

a) Exchange Rate

The exchange rate fluctuation between the Canadian and U.S. dollars has an impact on the Corporation's results. Thus, a $0.4 million exchange loss was recorded for the three-month period ended April 30, 2016, compared with a $0.5 million foreign exchange loss for the three-month period ended April 30, 2015.

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

— Issuance of two new debts in U.S. dollars during the fiscal year ended January 31, 2014, and one debt during the fiscal year ended January 31, 2015;

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

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

b) Operating Risks and Uncertainties

ADF's markets are subject to several risk and uncertainty factors, which could have an impact on its business, financial position and operating results. These risks and uncertainties include, but are not limited to the following factors, which are further detailed in the section 26 "External Factors to Which the Corporation's Performance is Exposed" in the MD&A for the fiscal year ended January 31, 2016:

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

20. FINANCIAL INSTRUMENTS

Many items in the Corporation's Statement of Financial Position include financial instruments. The Corporation's financial assets consist of cash, cash equivalents, short-term investments, accounts receivable, holdbacks on contracts, equity investments, as well as derivative financial instruments, whose fair market value is positive. Financial liabilities include accounts payable and other current liabilities, long-term debt and derivative financial instruments, whose fair market value is negative.

As at April 30, 2016, the carrying amount of these financial instruments did not significantly differ from the fair market value, either because of their forthcoming maturity date (in the case of cash, cash equivalents, short-term investments, accounts receivable, holdbacks on contracts receivable, accounts payable and other current liabilities), or because the Corporation believes it could obtain similar conditions and schedules (in the case of the long-term debt) or since they are re-evaluated at their fair value at the end of every period (in the case of equity investments and derivative financial instruments) (see Note 16 b) "Financial Instruments" to the Unaudited Condensed Interim Consolidated Financial Statements for the Three-Month Period Ended April 30, 2016, included in this MD&A).

Derivative financial instruments are typically used to manage the Corporation's foreign exchange and interest rate risk exposure. They are mostly comprised of foreign exchange forward contracts and/or foreign currency options, as well as interest rate swaps, the case may be.

The Corporation is mostly exposed to credit, liquidity and market risks, including exchange rate and interest rate risks, when using financial instruments. A description of how the Corporation manages these risks is included hereinabove in this MD&A, as well as in Note 16 a) "Financial Risk Management and b) "Financial Instruments" to the Unaudited Condensed Interim Consolidated Financial Statements for the Three-Month Period Ended April 30, 2016.

21. ASSESSMENT OF THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, disclosure controls and procedures have been designed to provide reasonable assurance that the information that must be presented in Corporation's interim and annual reports is accumulated and communicated to management on a timely basis, including the Chief Executive Officer and the Chief Financial Officer, so that appropriate decisions can be made regarding disclosure. Internal control over financial reporting has also been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Corporation's disclosure controls and procedures as of April 30, 2016, as well as the effectiveness of Corporation's internal control over financial reporting as of the same date using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 Framework) and have concluded that they are effective.

During the quarter ended April 30, 2016, no changes were made to internal control over financial reporting or disclosure controls and procedures that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

22. ACCOUNTING POLICIES

The significant accounting policies applied by the Corporation in accordance with IFRS are presented in Note 2 "Summary of Significant Accounting Policies" to the Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2016.

A summary of the recent IFRS pronouncements not yet adopted is included in Note 3 "Recent IFRS Pronouncements not yet Adopted" to the Unaudited Condensed Interim Consolidated Financial Statements for the Three-Month Period Ended April 30, 2016.

23. HUMAN RESOURCES

As at April 30, 2016, the Corporation employed a total of 595 people in its fabrication plant, pant shop and head office in Terrebonne, Quebec, its offices, fabrication plant and paint shop in Great Falls, Montana, as well as the sales office and various construction sites in Florida, U.S.A.

24. OUTLOOK

The first quarter of the 2017 fiscal year brings a lot of good news. Margins continue to grow, even when taking into account the non-recurring adjustments, the backlog is approximately $80 million, and our five divisions contributed to the results of this quarter. On March 30, 2016, we announced the award of new contracts exceeding $43 million. We are confident to be able to conclude other agreements within the next few weeks and months in order to not only maintain, but grow our backlog.

Now that our paint shop in Terrebonne is operational, our capital investments for the coming quarters will be minimal. Our focus will be to reap the full benefits of the investments we have made over the past years, and thus generate cash surplus.

Our business development teams are active, and now cover all the Canadian and US markets. Our new marketing efforts, as well as all of our assets, will allow us to adopt a comprehensive approach and thus ensure the sustainable growth of ADF Group.

25. ADDITIONAL INFORMATION

Management's discussion and analysis of changes in financial position and operating results for the three-month period ended April 30, 2016 has been approved by the Corporation's Board of Directors as of June 14, 2016.

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

Ms. Marise Paschini	**Mr. Jean-François Boursier**, CPA, CA
/ Signed /	/ Signed /
Executive Vice-President, Treasurer and Corporate Secretary	Chief Financial Officer

Terrebonne, Quebec, Canada, June 14, 2016

The electronic version of this document is available at www.adfgroup.com and at www.sedar.com.

Ce document est également disponible en français.

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