SECOND QUARTER
ENDED JULY 31, 2015

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FISCAL YEAR

2016

Group Inc.

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FORWARD-LOOKING STATEMENTS | Management of ADF Group Inc. wishes to inform the reader that this document contains forward-looking statements within the meaning of applicable securities laws, in which Management's expectations regarding ADF Group Inc.'s future performance may be discussed. These forward-looking statements include information concerning ADF Group's probable or foreseeable future operating results and financial position, and involve certain risks and uncertainties with regard to their future realization. These forward-looking statements are based on currently available data in regard to competition, financial position, economic conditions and operating plans. The principal risks and uncertainties that could affect ADF Group Inc.'s results, such that those results could differ materially from those expressed in any forward-looking statements, are presented in Sections "Current Economic Environment" and "External Factors to Which the Corporation's Performance is Exposed" of the MD&A Report for the fiscal year ended January 31, 2015.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE TO THE READERS

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	**July 31, 2015**	January 31, 2015
(In thousands of Canadian dollars)	**(unaudited)** **$**	(audited) $
ASSETS		
Current assets		
Cash and cash equivalents (Note 17)	**796**	7,946
Short-term investments	**773**	789
Accounts receivable	**15,678**	14,143
Holdbacks on contracts (Note 10)	**3,961**	4,309
Income tax assets	**—**	29
Work in progress (Note 10)	**2,518**	6,834
Inventories	**5,464**	5,769
Prepaid expenses and other current assets (Note 4)	**1,734**	1,679
Total current assets	**30,924**	41,498
Non-current assets		
Property, plant and equipment (Note 5)	**84,406**	83,000
Intangible assets (Note 6)	**2,827**	2,781
Other non-current assets	**3,320**	3,969
Deferred income tax assets	**5,987**	6,567
Total assets	**127,464**	137,815
LIABILITIES		
Current liabilities		
Accounts payable and other current liabilities	**9,365**	15,971
Deferred revenues (Note 10)	**2,860**	4,173
Income tax liability	**31**	—
Derivative financial instruments (Note 18)	**127**	1,115
Current portion of long-term debt	**798**	763
Total current liabilities	**13,181**	22,022
Non-current liabilities		
Long-term debt	**9,241**	9,374
Deferred income tax liabilities	**1,905**	2,461
Total liabilities	**24,327**	33,857
SHAREHOLDERS’ EQUITY		
Capital stock (Note 8)	**68,138**	69,185
Contributed surplus	**6,394**	6,433
Accumulated other comprehensive income (Note 9)	**6,906**	5,835
Retained income	**21,699**	22,505
Total shareholders’ equity	**103,137**	103,958
Total liabilities and shareholders’ equity	**127,464**	137,815

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

ON BEHALF OF THE BOARD OF DIRECTORS,

Mr. Jean Paschini

/ Signed /

Director

Mr. Frank Di Tomaso, FCPA, FCA, ICD.D.

/ Signed /

Director

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	3-Month Period		6-Month Period	
Periods Ended July 31,	**2015**	2014	**2015**	2014
(In thousands of Canadian dollars and in dollars per share)	**$**	$	**$**	$
Revenues (Note 10)	**19,063**	20,435	**47,745**	44,837
Cost of goods sold (Note 11)	**17,174**	18,233	**42,288**	39,803
Gross Margin	**1,889**	2,202	**5,457**	5,034
Selling and administrative expenses (Note 11)	**2,542**	2,762	**5,378**	5,237
Financial revenues	**(16)**	(34)	**(32)**	(94)
Financial expenses (Note 14)	**124**	114	**222**	164
Foreign exchange (gain) loss	**(341)**	11	**147**	22
	2,309	2,853	**5,715**	5,329
Income before income tax expense (recovery)	**(420)**	(651)	**(258)**	(295)
Income tax expense (recovery) (Note 15)	**117**	(304)	**222**	(419)
Net income for the period	**(537)**	(347)	**(480)**	124
Earnings per share				
Basic per share (Note 16)	**(0.02)**	(0.01)	**(0.01)**	0.00
Diluted per share (Note 16)	**(0.02)**	(0.01)	**(0.01)**	0.00
Average number of outstanding shares (in thousands) (Note 16)	**32,614**	32,492	**32,578**	32,492
Average number of outstanding diluted shares (in thousands) (Note 16)	**32,614**	32,492	**32,578**	33,282

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	3-Month Period		6-Month Period	
Periods Ended July 31,	**2015**	2014	**2015**	2014
(In thousands of Canadian dollars)	**$**	$	**$**	$
Net income for the period	**(537)**	(347)	**(480)**	124
Other comprehensive income (Note 9) [(a)]				
Exchange differences on translation of foreign operations [(b)]	**2,866**	(155)	**1,071**	(650)
Comprehensive income for the period	**2,329**	(502)	**591**	(526)

(a) Will subsequently be reclassified to net income.

(b) Net of hedging activities and an immaterial related income tax expense for the three-month and six-month periods ended July 31, 2014 (no hedging activities for the three-month and six-month periods ended July 31, 2015).

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

(In thousands of Canadian dollars)	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Income	Total
	$	$	$	$	$
Balance, February 1, 2014	69,139	6,407	1,562	24,725	101,833
Net income for the period	—	—	—	124	124
Other comprehensive income	—	—	(650)	—	(650)
Comprehensive income for the period	—	—	(650)	124	(526)
Share-based compensation (Note 8)	—	9	—	—	9
Options exercised	11	(4)	—	—	7
Dividends (Note 8)	—	—	—	(325)	(325)
Balance, July 31, 2014	69,150	6,412	912	24,524	100,998

(In thousands of Canadian dollars)	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Income	Total
	$	$	$	$	$
Balance, February 1, 2015	**69,185**	**6,433**	**5,835**	**22,505**	**103,958**
Net income for the period	**—**	**—**	**—**	**(480)**	**(480)**
Other comprehensive income	**—**	**—**	**1,071**	**—**	**1,071**
Comprehensive income for the period	**—**	**—**	**1,071**	**(480)**	**591**
Share-based compensation (Note 8)	**—**	**26**	**—**	**—**	**26**
Redemption of subordinate voting shares (Note 8)	**(2,139)**	**339**	**—**	**—**	**(1,800)**
Options exercised (Note 8)	**1,092**	**(404)**	**—**	**—**	**688**
Dividends (Note 8)	**—**	**—**	**—**	**(326)**	**(326)**
Balance, July 31, 2015	**68,138**	**6,394**	**6,906**	**21,699**	**103,137**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	3-Month Period		6-Month Period	
Periods Ended July 31,	**2015**	2014	**2015**	2014
(In thousands of Canadian dollars)	**$**	$	**$**	$
OPERATING ACTIVITIES				
Net income for the period	**(537)**	(347)	**(480)**	124
Non-cash items:				
Amortization of property, plant and equipment (Note 5)	**1,049**	962	**2,078**	1,920
Amortization of intangible assets (Note 6)	**79**	94	**156**	185
Unrealized (gain) loss on derivative financial instruments	**(627)**	3	**(988)**	—
Non-cash exchange gain	**(367)**	(33)	**(156)**	(63)
Share-based compensation (Note 8)	**12**	4	**26**	9
Income tax expense (recovery)	**117**	(304)	**222**	(419)
Financial revenues	**(16)**	(34)	**(32)**	(94)
Financial expenses	**124**	114	**222**	164
Net income adjusted for non-cash items	**(166)**	459	**1,048**	1,826
Changes in non-cash working capital items (Note 17)	**(1,669)**	(10,103)	**(4,500)**	(13,034)
Income tax expense recovery	**—**	—	**—**	4
Cash flows from (used in) operating activities	**(1,835)**	(9,644)	**(3,452)**	(11,204)
INVESTING ACTIVITIES				
Disposal of short-term investments	**9**	—	**9**	—
Net acquisition of property, plant and equipment	**(556)**	(2,078)	**(2,178)**	(4,600)
Acquisition of intangible assets	**(114)**	(103)	**(202)**	(184)
Decrease (increase) in other non-current assets	**(13)**	11	**637**	(548)
Interest received	**25**	40	**38**	94
Cash flows from (used in) investing activities	**(649)**	(2,130)	**(1,696)**	(5,238)
FINANCING ACTIVITIES				
Issuance of long-term debt	**—**	—	**—**	5,516
Repayment of long-term debt	**(183)**	(761)	**(370)**	(1,532)
Redemption of subordinate voting shares (Note 8)	**—**	—	**(1,800)**	—
Issuance of subordinate voting shares (Note 8)	**125**	7	**688**	7
Dividends paid (Note 8)	**(326)**	(325)	**(326)**	(325)
Interest paid on the interest rate swap	**—**	(1)	**—**	(2)
Interest paid	**(120)**	(94)	**(220)**	(141)
Cash flows from (used in) financing activities	**(504)**	(1,174)	**(2,028)**	3,523
Impact of fluctuations in foreign exchange rate on cash flow	**76**	(18)	**26**	(67)
Net change in cash and cash equivalents during the period	**(2,912)**	(12,966)	**(7,150)**	(12,986)
Cash and cash equivalents, beginning of the period (Note 17)	**3,708**	18,655	**7,946**	18,675
Cash and cash equivalents, end of the period (Note 17)	**796**	5,689	**796**	5,689

Supplemental information on cash flows is provided in Note 17.

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

All tabular figures are in thousands of Canadian dollars (CA$) and in dollars per share, unless otherwise specified.

NOTE 1 NATURE OF BUSINESS

ADF GROUP INC. ("ADF", "ADF Group" or "the Corporation") is the parent company and is incorporated under the Canada Business Corporations Act. Its head office is located at 300 Henry-Bessemer Street, in Terrebonne, Quebec. The Corporation's securities are traded on the Toronto Stock Exchange under the ticker symbol DRX. The Corporation operates two fabrication plants; one in Canada and one in the United States, as well as a paint shop in the United States. The Corporation concentrates its activities in the design and engineering of connections, fabrication, including industrial coating, and the installation of complex steel superstructures, heavy steel built-ups, as well as miscellaneous and architectural metalwork. The Corporation's products and services are intended for the following five principal segments of the non-residential construction market: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes, and transport infrastructures.

NOTE 2 BASIS OF PREPARATION

a) **Statement of Compliance**

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), applicable to interim financial reports, including International Accounting Standard 34, "Interim Financial Reporting". These condensed interim consolidated financial statements are intended to provide an update on the annual Audited Consolidated Financial Statements of January 31, 2015. Accordingly, they do not include all of the information required for annual financial statements and must be read in conjunction with the Corporation's annual Audited Consolidated Financial Statements as at January 31, 2015.

The Board of Directors approved these condensed interim consolidated financial statements on September 10, 2015. These financial statements have been prepared using the same accounting policies as outlined in Note 2 to Corporation's Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2015.

b) **Basis of Assessment**

These consolidated financial statements have been prepared under the historical cost convention, except for the evaluation of certain financial instruments measured at the fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c) **Functional and Reporting Currency**

Items included in each of the Corporation's entities financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Corporation's functional currencies are the Canadian dollar for its Canadian entity, and the U.S. dollar for its U.S. entities. The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is the Corporation's reporting currency. All amounts are rounded to the nearest thousand dollars, except where otherwise indicated.

d) **Use of Estimates and Judgments**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. Areas involving a greater degree of judgment or complexity, or areas where assumptions and estimates have a significant impact on the consolidated financial statements, are disclosed in Note 5 to the Corporation's Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2015, and remained unchanged for the three-month and six-month periods ended July 31, 2015.

NOTE 3 RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

A summary of recent IFRS pronouncements not yet adopted is included in Note 4 of the annual financial statements of January 31, 2015, and consists of the IFRS 15 "Revenue from Contracts with Customers" published by the IASB in May 2014 as well as the IFRS 9 "Financial Instruments" published by the IASB in November 2009.

In July 2015, the IASB confirmed the deferral of the IFRS 15 effective date, by a year, to January 1, 2018, with earlier application permitted. The effective date of IFRS 9 remains January 1, 2018.

The Corporation has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

NOTE 4 PREPAID EXPENSES AND OTHER CURRENT ASSETS

As at	**July 31, 2015**	January 31, 2015
(In thousands of CA$)	**$**	$
Related parties advances (1)	**113**	892
Prepaid expenses	**1,148**	400
Others	**473**	387
	1,734	1,679

(1) During the fiscal year ended January 31, 2015, the Corporation granted advances to two Executive Shareholders. These advances bear the interest rate prescribed by the tax authorities (1%) and repayable during the fiscal year ending January 31, 2016. The balance of these advances stood at $113,000 as at July 31, 2015 and $892,000 as at January 31, 2015. Interest related to these advances, of an immaterial amount, was recorded as part of the interest income in the Consolidated Statement of Income for the Three-Month and Six-Month Periods ended July 31, 2015 (nil for the three-month and six-month periods ended July 31, 2014).

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

For the three-month and six-month periods ended July 31, 2015, the amortization of property, plant and equipment totalled $1,049,000 and $2,078,000 ($962,000 and $1,920,000 for the three-month and six-month periods ended July 31, 2014, respectively) and was distributed as follows:

	3-Month Period		6-Month Period	
Periods Ended July 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Cost of goods sold	**875**	649	**1,735**	1,444
Selling and administrative expenses	**174**	313	**343**	476
	1,049	962	**2,078**	1,920

As at July 31, 2015, all property, plant and equipment were subject to amortization. As at July 31, 2014, the book value of the property, plant and equipment not yet used and not amortized stood at $4,201,000, and was distributed as follows:

As at July 31, 2014	
(In thousands of CA$)	**$**
Building and improvement to land	**2,747**
Equipment and overhead cranes	**1,446**
Office furniture, rolling stock, and computer hardware	**8**
	4,201

NOTE 6 INTANGIBLE ASSETS

As at July 31, 2015 and 2014, all intangible assets were subject to amortization.

For the three-month and six-month periods ended July 31, 2015, amortization of intangible assets totalled respectively $79,000 and $156,000 ($94,000 and $185,000 for the three-month and six-month periods ended July 31, 2014 respectively), was distributed as follows:

	3-Month Period		6-Month Period	
Periods Ended July 31,	**2015**	2014	**2015**	2014
(In thousands of Canadian dollars)	**$**	$	**$**	$
Cost of goods sold	**36**	49	**72**	98
Selling and administrative expenses	**43**	45	**84**	87
	79	94	**156**	185

NOTE 7 CREDIT FACILITY

According to its credit agreement renewable annually, the Corporation has access to a credit facility of up to $10,000,000. This credit facility is not based on margination of the lending value when the order backlog totals more than $50,000,000. However, if the order backlog is below $50,000,000, a monthly calculation based on contracts receivable and inventories, which may limit the amount of the credit facility, is applied. To this effect, as at July 31, 2015 and January 31, 2015, the available credit facility was $10,000,000. In addition, this credit agreement also provides the Corporation access to an amount of $10,000,000 that can be used for the issuance of letters of credit.

NOTE 8 CAPITAL STOCK

a) **Capital Stock**

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

	Subordinate Voting Shares		**Multiple Voting Shares**		**Total**	
(In thousands of CA$ and in number of shares)	Number	$	Number	$	Number	$
As at February 1, 2014	18,148,235	53,138	14,343,107	16,001	32,491,342	69,139
Issued on exercise of stock options	42,800	46	—	—	42,800	46
As at January 31, 2015	18,191,035	53,184	14,343,107	16,001	32,534,142	69,185
Issued on exercise of stock options	**867,400**	**1,092**	**—**	**—**	**867,400**	**1,092**
Shares redemption	**(750,000)**	**(2,139)**	**—**	**—**	**(750,000)**	**(2,139)**
As at July 31, 2015	**18,308,435**	**52,137**	**14,343,107**	**16,001**	**32,651,542**	**68,138**

During three-month period ended July 31, 2015, the Corporation issued a total of 74,000 subordinate voting shares following the exercise of stock options, for a total of $210,000 comprising of a cash consideration of $125,000 and an amount of $85,000 from contributed surplus (9,600 subordinate voting shares during the three-month period ended July 31, 2014 for an immaterial amount).

During six-month period ended July 31, 2015, the Corporation issued a total of 867,400 subordinate voting shares following the exercise of stock options, for a total of $1,092,000 comprising of a cash consideration of $688,000 and an amount of $404,000 from contributed surplus (9,600 subordinate voting shares during the six-month period ended July 31, 2014 for an immaterial amount).

b) **Subordinate Voting Shares Redemption**

On May 30, 2014, the Corporation announced that it had received the approval from its Board of Directors and the Toronto Stock Exchange to renew its normal course issuer bid ("NCIB"), under which it could 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 represented approximately 10% of the public float of adjusted subordinate voting shares. These shares were repurchased from time to time when deemed appropriate by the Corporation, while considering the economic conditions and its liquidities.

Except for the shares repurchased mentioned in the following paragraph, no other shares were repurchased during the three-month and six-month periods ended July 31, 2015 and 2014.

During six-month period ended July 31, 2015, the Corporation repurchased 750,000 subordinate voting shares held by three of its directors, pursuant to the exercise of the stock options awarded to them in April 2005, for a total amount of $2,139,000 ($2.85 per share) including a disbursement of $1,800,000 ($2.40 per share) and $339,000 to contributed surplus. In the context of the share repurchase, the Corporation amended its NCIB in order to specifically authorize off-Exchange purchases under the exemptions provided under applicable securities legislation or issued by securities regulatory authorities. In accordance with the Toronto Stock Exchange's rules, the share repurchase was factored in the computation of the annual aggregate limit of shares eligible for buyback by the Corporation under the NCIB. Therefore, following this transaction, a balance of 625,824 shares could be eligible for repurchase until June 3, 2015, under the NCIB.

c) **Dividends**

No dividends were declared during the three-month periods ended July 31, 2015 and 2014.

During the six-month period ended July 31, 2015, the Corporation recognized, as distribution to its shareholders of record as at April 30, 2015 and paid on May 15, 2015, semi-annual dividends of $0.01 per share, totalling $326,000 of which $182,000 was for subordinate voting shares and $144,000 for multiple voting shares.

During the six-month period ended July 31, 2014, the Corporation recognized, as distribution to its shareholders of record as at April 30, 2014, and paid on May 16, 2014, semi-annual dividends totalling $325,000, or $0.01 per share, representing $181,000 for subordinate voting shares and $144,000 for multiple voting shares.

d) **Stock Option Plan**

At July 31, 2015, a total of 3,426,029 subordinate voting shares (3,426,029 shares as at January 31, 2015) were reserved for the Stock Option Plan, of which 1,401,029 shares as at July 31, 2015 (1,324,029 shares as at January 31, 2015), had not yet been granted.

The plan requires that the exercise price of the options granted must not be less than the closing market value on the day the options are granted by the Corporation's Board of Directors. These options start vesting one year after the grant date, at the rate of 20% per year, except those issued on February 20, 2007, which vested at a rate of 50% per year, and those issued on July 17, 2009 and December 14, 2009, having an acquisition rate of 33% per year, commencing at these dates. All options have a 10-year life from the grant date.

As at	**July 31, 2015**		January 31, 2015	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
(In dollars per option and in number of options)	**Number**	**$**	Number	$
Outstanding, at the beginning	**1,426,064**	**1.51**	1,368,864	1.40
Issued	**—**	**—**	110,000	2.67
Exercised	**(867,400)**	**0.79**	(42,800)	0.71
Canceled	**(77,000)**	**2.34**	(10,000)	2.74
Outstanding, at the end	**481,664**	**2.66**	1,426,064	1.51
Exercisable, at the end	**359,664**	**2.80**	1,273,064	1.42

As at July 31, 2015, the weighted average exercise price and the weighted average remaining contractual life of the options were as follows:

(In dollars per option and number of options)	**Outstanding Options**			**Exercisable Options**	
Exercise Price	**Outstanding**	**Weighted Average Remaining Life**	**Weighted Average Exercise Price**	**Exercisable**	**Weighted Average Exercise Price**
$	Number	Year	$	Number	$
6.48	5,000	2.45	6.48	5,000	6.48
5.65	60,000	2.71	5.65	60,000	5.65
2.66	100,000	8.96	2.66	20,000	2.66
2.52	60,000	4.37	2.52	60,000	2.52
2.45	96,000	3.96	2.45	96,000	2.45
2.14	27,664	1.55	2.14	27,664	2.14
1.88	50,000	5.12	1.88	40,000	1.88
1.35	50,000	7.71	1.35	20,000	1.35
1.21	5,000	6.87	1.21	3,000	1.21
1.14	20,000	0.86	1.14	20,000	1.14
1.05	8,000	0.81	1.05	8,000	1.05
	481,664	**2.64**	**2.66**	**359,664**	**2.80**

A total expense of $12,000 and $26,000 for share-based compensation was recorded in the Consolidated Statement of Income for the three-month and six-month periods ended July 31, 2015, and a corresponding amount was recognized in contributed surplus ($4,000 and $9,000 respectively for the three-month and six-month periods ended July 31, 2014).

No options were granted during the six-month period ended July 31, 2015. The weighted average fair value of the options granted during the six-month periods ended July 31, 2014 was estimated at $2.39 at the grant date using the Black-Scholes option pricing model on the basis of the following weighted average assumptions for the options granted:

Six-month period ended July 31, 2014	
Options issued (in units)	110,000
Annual share dividend yield	0.75%
Stock price	$2.67
Expected volatility [1]	45.8 %
Risk-free interest rate [2]	1.84 %
Expected life [3]	6 years

(1) The expected volatility considers the historic volatility of the Corporation's share price.

(2) The risk-free interest rate used to determine the fair value at the issuance of the options is based on a yield curve for zero-coupon bonds from the Bank of Canada.

(3) The contractual expected life of the issued options is 10 years.

e) **Deferred Share Units Plan ("DSU")**

During the three-month and six-month periods ended July 31, 2015, the DSU compensation amounted to $11,000 and $25,000 respectively, each representing 5,138 units and 11,275 units, and are recorded in "Accounts payable and other current liabilities" in the Consolidated Statements of Financial Position ($12,500 and $27,500 respectively, representing each 5,256 and 10,263 units for the three-month and six-month periods ended July 31, 2014).

	3-Month Period		6-Month Period	
Periods ended July 31,	**2015**	2014	**2015**	2014
(Number of deferred share units)				
Outstanding, at the beginning of the period	**181,782**	158,126	**175,645**	153,119
Attributed	**5,138**	5,256	**11,275**	10,263
Exercised	**(36,809)**	—	**(36,809)**	—
Outstanding, at the end of the period	**150,111**	163,382	**150,111**	163,382

The DSU 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 six-month period ended July 31, 2015, an upward re-evaluation in the amount of $23,000 (none for the three-month period ended July 31, 2015) was recorded as an increase in compensation expense, with the consideration recorded as an increase in accounts payable and other current liabilities in the Consolidated Statement of Financial Position.

For the six-month period ended July 31, 2014, this re-evaluation resulted in a decrease of $73,000 in compensation expense and accounts payable and other current liabilities (none for the three-month period ended July 31, 2014).

NOTE 9 ACCUMULATED OTHER COMPREHENSIVE INCOME

	3-Month Period		6-Month Period	
Periods ended July 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Exchange differences on translation of foreign operations				
Opening balance	**4,201**	1,234	**5,996**	1,741
Changes during the period	**2,866**	(161)	**1,071**	(668)
Closing balance	**7,067**	1,073	**7,067**	1,073
Hedging of foreign operations, net of related income taxes [1]				
Opening balance	**(300)**	(306)	**(300)**	(318)
Changes during the period [2]	**—**	6	**—**	18
Closing balance	**(300)**	(300)	**(300)**	(300)
Change in value of available-for-sale financial assets				
Opening balance	**139**	139	**139**	139
Changes during the period	**—**	—	**—**	—
Closing balance	**139**	139	**139**	139

Allocated as follows:

As at	July 31, 2015	January 31, 2015
(In thousands of CA$)	**$**	$
Exchange differences on translation of foreign operations, net of related hedging activities, net of related income taxes (3)	**6,767**	5,696
Change in value of available-for-sale financial assets (4)	**139**	139
	6,906	5,835

(1) To protect itself against the foreign exchange risk related to net investments in its foreign subsidiaries, the Corporation used hedge accounting until July 2014 by fully designating one of its US-denominated long-term debts as a hedge. However, because this long-term debt was fully reimbursed in July 2014, hedge accounting ceased to apply on that date.

(2) Net of hedging activities and an immaterial related income tax expense for the three-month and six-month periods ended July 31, 2014. During the three-month period ended July 31, 2014, following the repayment of the U.S. dollar denominated bank loan, the hedging of foreign operations ended. No hedging for the three-month month and six-month periods ended July 31, 2015.

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

(4) The component "Available-for-sale financial assets" arises upon the revaluation of available-for-sale financial assets. When a revaluated financial asset is sold, the portion of the component that relates to that financial asset, and is effectively realized, is recognized in the Consolidated Statement of Income. When a revaluated financial asset is impaired, the portion of the component that relates to that financial asset is recognized in Consolidated Statement of Income.

NOTE 10 INFORMATION RELATED TO CONTRACTS

During three-month and six-month periods ended July 31, 2015, revenues from construction contracts totalling $19,063,000 and $47,745,000 respectively ($20,435,000 and $44,837,000 for the three-month and six-month periods ended July 31, 2014, respectively) have been included in revenues of the reporting period. The amounts recorded in the Consolidated Statement of Financial Position relate to current contracts at the end of the reporting period.

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

As at	July 31, 2015	January 31, 2015
(In thousands of CA$)	**$**	$
Total amount of cost incurred and profits and losses recorded on all ongoing contracts	**144,302**	263,167
Less progress billings	**(144,644)**	(260,506)
	(342)	2,661
Recognized as follows:		
Amount owed by clients for work performed on contracts, recorded in work in progress	**2,518**	6,834
Amount owed to clients for work performed on contracts, recorded in deferred revenues	**(2,860)**	(4,173)
	(342)	2,661

Advances received from clients on contracts for work not yet realized are recognized in accounts payable and other current liabilities. These advances were nil as at July 31, 2015 ($1,975,000 as at January 31, 2015).

Holdbacks on contracts, amounting to $3,961,000 as at July 31, 2015, will be received at the time of the client's approval of the work performed ($4,309,000 as at January 31, 2015) and are included in current assets in the Consolidated Statement of Financial Position.

NOTE 11 CLASSIFICATION OF EXPENSES BY NATURE

	3-Month Period		6-Month Period	
Periods ended July 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Raw material, consumables and subcontracting	**3,961**	10,979	**18,473**	25,797
Salaries and employees' benefit expenses (Note 12)	**9,886**	5,191	**17,784**	10,097
Amortization expenses	**1,128**	1,056	**2,234**	2,105
Drafting and engineering	**1,248**	534	**2,306**	1,085
Transport	**702**	637	**1,396**	1,027
Professional fees	**558**	855	**1,041**	1,315
Travelling expenses and representation	**517**	452	**914**	852
Management fees with related companies (Note 13)	**301**	287	**650**	639
Electricity and heating	**314**	199	**642**	380
Maintenance and repairs	**184**	113	**507**	287
Taxes and permits	**328**	233	**628**	520
Insurance	**264**	209	**523**	379
Office expenses	**131**	155	**248**	289
Other	**194**	95	**320**	268
	19,716	20,995	**47,666**	45,040

Distributed as follows:

Periods ended July 31,	3-Month Period		6-Month Period	
	2015	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Cost of goods sold	**17,174**	18,233	**42,288**	39,803
Selling and administrative expenses	**2,542**	2,762	**5,378**	5,237
	19,716	20,995	**47,666**	45,040

Cost of goods sold is as follows:

Periods ended July 31,	3-Month Period		6-Month Period	
	2015	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Cost of goods sold excluding amortization	**16,263**	17,535	**40,481**	38,261
Amortization of property, plant and equipment and intangible assets	**911**	698	**1,807**	1,542
	17,174	18,233	**42,288**	39,803

NOTE 12 SALARIES AND EXPENSES RELATED TO EMPLOYEES BENEFITS

Periods ended July 31,	3-Month Period		6-Month Period	
	2015	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Salaries and other short-term benefits	**7,648**	4,210	**13,604**	8,077
Social security costs	**1,912**	763	**3,438**	1,399
Pension plan contributions	**314**	214	**716**	612
Share-based compensation	**12**	4	**26**	9
	9,886	5,191	**17,784**	10,097

NOTE 13 EXECUTIVES' COMPENSATION

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

Periods ended July 31,	3-Month Period		6-Month Period	
	2015	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Salaries and other short-term benefits	**398**	402	**740**	902
Social security costs	**48**	52	**142**	98
Management fees (1)	**301**	287	**650**	639
Pension plan contributions	**20**	13	**95**	82
Share-based compensation	**2**	4	**5**	8
Other (2)	**147**	58	**240**	58
	916	816	**1,872**	1,787

(1) In the normal course of business, management agreements have been reached with companies held by a group of majority shareholders and are measured at exchange amount.

(2) Mainly made up of attendance fees.

NOTE 14 FINANCIAL EXPENSES

During the three-month and six-month periods ended July 31, 2015 and 2014, financial expenses were as follows:

Periods ended July 31,	3-Month Period		6-Month Period	
	2015	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Interest on long-term debt	**96**	109	**192**	153
Other interest	**28**	5	**30**	11
	124	114	**222**	164

NOTE 15 INCOME TAX EXPENSE (RECOVERY)

The average effective tax rate over the six-month period ended July 31, 2015 corresponds to an expense of 86%, representing an amount of $222,000 for a loss before income tax of $258,000. This rate is explained by the distribution of income before income tax between the Corporation's Canadian and U.S. entities. More specifically, the negative income before income tax from Canadian jurisdictions are subject to a lower tax rate than the positive income before income tax from U.S jurisdictions that are subject to higher tax rates.

The average effective tax rate over the six-month period ended July 31, 2014 corresponds to a recovery of 142%, representing an amount of $419,000 for a loss before income tax of $295,000. This high rate is explained by the distribution of income before income tax between the Corporation's Canadian and U.S. entities. More specifically, the negative income before income tax from U.S. jurisdictions are subject to higher tax rates than the positive income before income tax from Canadian jurisdictions that are subject to lower tax rates.

NOTE 16 EARNINGS PER SHARE

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

	3-Month Period		6-Month Period	
Periods Ended July 31,	**2015**	2014	**2015**	2014
Numerator (in thousands of CA$)				
Numerator applicable to basic and diluted earnings per share	**(537)**	(347)	**(480)**	124
Denominator (in thousands)				
Basic weighted average number of shares	**32,614**	32,492	**32,578**	32,492
Effect of dilutive instruments:				
— Stock options	**—**	—	**—**	790
Diluted weighted average number of shares	**32,614**	32,492	**32,578**	33,282

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

Given the negative net income during the three-month and six-month periods ended July 31, 2015, no stock options were included in the computation of diluted earnings per share because of their antidilutive effect.

During the three-month period ended July 31, 2014, no stock options were included in the computation of diluted earnings per share because of their antidilutive effect given the negative net income. During the six-month period ended July 31, 2014 only 1,301,264 stock options were included in the computation of diluted earnings per share since the other options were antidilutive.

NOTE 17 SUPPLEMENTAL CASH FLOWS INFORMATION

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

	3-Month Period		6-Month Period	
Periods Ended July 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Accounts receivable	**(461)**	(4,966)	**(1,269)**	(2,852)
Holdbacks on contracts	**(815)**	(1,852)	**362**	(2,905)
Income tax	**9**	—	**9**	—
Work in progress	**2,541**	743	**4,342**	(1,199)
Inventories	**300**	(673)	**329**	(266)
Prepaid expenses and other current assets	**1,089**	3	**(33)**	(160)
Accounts payable and other current liabilities	**(5,555)**	(4,524)	**(6,916)**	(4,210)
Deferred revenues	**1,223**	1,166	**(1,324)**	(1,442)
Changes in non-cash working capital items	**(1,669)**	(10,103)	**(4,500)**	(13,034)

For the purpose of the Consolidated Statements of Cash Flows, cash and cash equivalents consisted of $796,000 and $7,946,000 in cash at July 31, 2015 and January 31, 2015, respectively.

NOTE 18 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

a) **Financial Risk Management**

As described in Note 29 to the Audited Consolidated Financial Statements for the fiscal year ended January 31, 2015, the Corporation is exposed to exchange rate fluctuations between the Canadian and U.S. dollars, since a significant portion of its revenues is generally recorded in U.S. dollars. During the three-month and six-month periods ended July 31, 2015, the proportion of sales concluded in U.S. dollars was 82% and 72% respectively (21% during the fiscal year ended January 31, 2015). As part of its foreign currency hedge policy, the Corporation uses different mechanisms, where appropriate, to mitigate the impact of these fluctuations on its results, such as:

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

The detail of the derivative financial instruments in hand as at July 31, 2015, was established as follows:

	As at July 31, 2015			
	In thousands of $US (1)	In thousands $CA (1)	Average rate	Expiration date
Forward foreign exchange contracts	**(775)**	**(881)**	**1.1372**	**October 2015**
	2,850	**3,449**	**1.2100**	**October 2015**
	3,325	**4,303**	**1.2940**	**October 2015**
	(700)	**(797)**	**1.1390**	**November 2015**
	3,325	**4,303**	**1.2940**	**January 2016**

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

The Corporation's position is summarized below:

As at	July 31, 2015	January 31, 2015
(In thousands of CA$)	**$**	$
Current liabilities relating to derivative financial instruments:		
Forward foreign exchange contracts	**127**	885
Foreign currency options	**—**	230
	127	1,115

b) **Financial Instruments**

Financial assets and liabilities have been classified in categories specifying their basis for measurement, and in the case of items measured at fair value specifying whether changes in the fair value are recognized in the net income or in other comprehensive income. These categories are: fair value through net income, loans and receivables, assets available-for-sale and, in the case of liabilities, amortized cost.

As at July 31, 2015, 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 and accounts payable and other current liabilities), or because the Corporation believed it could obtain similar conditions and schedules (in the case of the long-term debt) 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).

Therefore, to determine fair value, the financial instruments measured at the fair value at the Consolidated Statements of Financial Position are classified using the following fair value hierarchies in accordance with IFRS, which have been defined as follows:

- Fair value - Level 1: Quoted price (unadjusted) in active markets for identical assets or liabilities;
- Fair value - Level 2: For inputs, other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Fair value - Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation classified its equity investments within fair value level 1, since they are based on inputs that are observable in an active market.

The Corporation classified its derivative financial instruments, which include forward foreign exchange contracts and foreign currency options within fair value level 2, since they are essentially based on inputs that are observable other than in an active market.

NOTE 19 SEGMENTED INFORMATION

The Corporation operates in the non-residential construction sector, primarily in the United States and Canada. Its operations include 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.

	3-Month Period		6-Month Period	
Periods Ended July 31,	**2015**	2014	**2015**	2014
(In thousands of CA$)	**$**	$	**$**	$
Revenues				
Canada	**3,385**	18,370	**13,200**	42,562
United States	**15,678**	2,065	**34,545**	2,275
	19,063	20,435	**47,745**	44,837

As at	July 31, 2015	January 31, 2015
(In thousands of CA$)	**$**	$
Non-current assets (1)		
Canada	**44,547**	45,218
United States	**46,010**	44,532
	90,557	89,750

(1) The non-current assets mainly include property, plant and equipment, intangible assets, investment tax credits and others non-current assets.

During the six-month period ended July 31, 2015, three (3) clients accounted for 70% of the Corporation's revenues, for respective amounts of $18,367,000 from the United States, and $8,395,000 and $6,446,000 from Canada (56% of the revenues were realized with one client during the six-month period ended July 31, 2014, for amounts of $24,997,000 from Canada), and therefore each client accounted for more than 10% of the Corporation's revenues.

NOTE 20 SUBSEQUENT EVENTS

a) **Dividend**

On September 10, 2015, the Corporation's Board of Directors approved a semi annual dividend of $0.01 per subordinate and multiple voting shares, payable on October 15, 2015 to shareholders of record as at September 30, 2015.

b) **Long-term debt**

The Corporation obtained $20,000,000 long-term loan from a government corporation, to finance, among others, its working capital. This bank loan is guaranteed by a movable and immovable hypothec of $24.0 million on the universality of all movable and immovable, tangible and intangible assets, present and future of the parent-company, ADF Group Inc. The disbursement of this loan will be as follows:

- A first tranche of $5,000,000 was drawn on August 28, 2015.
- A second tranche of $5,000,000 at the request of the Corporation, but before April 23, 2016.
- The balance of $10,000,000 will be disbursed in increments of $2,500,000 or more at the request of the Corporation, under certain conditions.

This loan will bear interest of the Development Bank of Canada annual floating rate and will be payable monthly. The first principal repayment in the amount of $95,850 will be made on March 1st, 2018, followed by equal monthly installments of $98,050, beginning April 1st, 2018 and ending February 1st, 2035, being the loan's maturity date.

The electronic version of this report is available at www.adfgoup.com and at www.sedar.com.

Ce rapport de gestion intermédiaire est également disponible en français.

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