ADF Group Inc.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three-Month and Nine-Month Periods Ended October 31, 2016

1956 - 2016
60 Years

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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, 2016.

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	October 31, 2016	January 31, 2016
(In thousands of Canadian dollars)	**(Unaudited)**	(Audited)
ASSETS	**$**	$
Current assets		
Cash and cash equivalents (Note 17)	**585**	2,377
Accounts receivable	**23,684**	23,146
Holdbacks on contracts (Note 10)	**2,862**	1,693
Income tax assets	**1,079**	—
Work in progress (Note 10)	**8,345**	7,521
Inventories	**6,663**	6,180
Prepaid expenses and other current assets	**1,773**	1,889
Total current assets	**44,991**	42,806
Non-current assets		
Property, plant and equipment (Note 4)	**91,546**	91,067
Intangible assets (Note 5)	**2,900**	2,871
Other non-current assets	**3,343**	3,337
Deferred income tax assets	**6,427**	6,390
Total assets	**149,207**	146,471
LIABILITIES		
Current liabilities		
Credit facilities (Note 6)	**4,713**	—
Accounts payable and other current liabilities	**12,471**	17,772
Income tax liability	**—**	49
Deferred revenues (Note 10)	**2,423**	2,753
Derivative financial instruments (Note 18)	**474**	403
Current portion of long-term debt	**862**	868
Total current liabilities	**20,943**	21,845
Non-current liabilities		
Long-term debt (Note 7)	**18,331**	14,351
Deferred income tax liabilities	**3,447**	2,742
Total liabilities	**42,721**	38,938
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	**68,088**	68,077
Contributed surplus	**6,419**	6,397
Accumulated other comprehensive income (Note 9)	**7,833**	9,507
Retained income	**24,146**	23,552
Total shareholders' equity	**106,486**	107,533
Total liabilities and shareholders' equity	**149,207**	146,471

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 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of Canadian dollars and in dollars per share)	**$**	$	**$**	$
Revenues (Note 10)	**21,089**	21,260	**66,390**	69,005
Cost of goods sold (Note 11)	**17,836**	16,760	**54,013**	59,048
Gross Margin	**3,253**	4,500	**12,377**	9,957
Selling and administrative expenses (Note 11)	**2,997**	2,833	**9,787**	8,211
Financial revenues	**(2)**	(33)	**(45)**	(65)
Financial expenses (Note 14)	**243**	151	**667**	373
Foreign exchange (gain) loss	**(30)**	25	**326**	172
	3,208	2,976	**10,735**	8,691
Income before income tax expense	**45**	1,524	**1,642**	1,266
Income tax expense (Note 15)	**9**	483	**396**	705
Net income for the period	**36**	1,041	**1,246**	561
Earnings per share				
Basic per share (Note 16)	**0.00**	0.03	**0.04**	0.02
Diluted per share (Note 16)	**0.00**	0.03	**0.04**	0.02
Average number of outstanding shares (in thousands) (Note 16)	**32,627**	32,625	**32,624**	32,594
Average number of outstanding diluted shares (in thousands) (Note 16)	**32,677**	32,708	**32,690**	32,833

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	3 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of Canadian dollars)	**$**	$	**$**	$
Net income for the period	**36**	1,041	**1,246**	561
Other comprehensive income (Note 9) [a] :				
Exchange differences on translation of foreign operations	**1,008**	(12)	**(1,674)**	1,059
Comprehensive income for the period	**1,044**	1,029	**(428)**	1,620

(a) Will subsequently be reclassified to net income.

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, 2015	69,185	6,433	5,835	22,505	103,958
Net income for the period	—	—	—	561	561
Other comprehensive income	—	—	1,059	—	1,059
Comprehensive income for the period	—	—	1,059	561	1,620
Share-based compensation (Note 8)	—	35	—	—	35
Redemption of subordinate voting shares (Note 8)	(2,282)	364	—	—	(1,918)
Options exercised (Note 8)	1,092	(404)	—	—	688
Dividends (Note 8)	—	—	—	(652)	(652)
Balance, October 31, 2015	67,995	6,428	6,894	22,414	103,731

(In thousands of Canadian dollars)	**Capital Stock** **$**	**Contributed Surplus** **$**	**Accumulated Other Comprehensive Income** **$**	**Retained Income** **$**	**Total** **$**
Balance, February 1, 2016	**68,077**	**6,397**	**9,507**	**23,552**	**107,533**
Net income for the period	**—**	**—**	**—**	**1,246**	**1,246**
Other comprehensive income	**—**	**—**	**(1,674)**	**—**	**(1,674)**
Comprehensive income for the period	**—**	**—**	**(1,674)**	**1,246**	**(428)**
Share-based compensation (Note 8)	**—**	**27**	**—**	**—**	**27**
Options exercised (Note 8)	**11**	**(5)**	**—**	**—**	**6**
Dividends (Note 8)	**—**	**—**	**—**	**(652)**	**(652)**
Balance, October 31, 2016	**68,088**	**6,419**	**7,833**	**24,146**	**106,486**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	3 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of Canadian dollars)	**$**	$	**$**	$
OPERATING ACTIVITIES				
Net income for the period	**36**	1,041	**1,246**	561
Non-cash items:				
Amortization of property, plant and equipment (Note 4)	**1,090**	1,099	**3,293**	3,177
Amortization of intangible assets (Note 5)	**91**	82	**266**	238
Loss on disposal of property, plant and equipment	**—**	3	**—**	3
Unrealized loss (gain) on derivative financial instruments	**406**	(235)	**71**	(1,223)
Non-cash exchange (gain) loss	**(150)**	(94)	**670**	(250)
Share-based compensation	**216**	9	**806**	35
Income tax expense	**9**	483	**396**	705
Financial revenues	**(2)**	(33)	**(45)**	(65)
Financial expenses	**243**	151	**667**	373
Net income adjusted for non-cash items	**1,939**	2,506	**7,370**	3,554
Changes in non-cash working capital items (Note 17)	**(2,794)**	(1,455)	**(9,705)**	(5,955)
Income tax paid	**(191)**	—	**(1,128)**	—
Cash flows from (used in) operating activities	**(1,046)**	1,051	**(3,463)**	(2,401)
INVESTING ACTIVITIES				
Disposal of short-term investments	**—**	—	**—**	9
Net acquisition of property, plant and equipment (Note 4)	**(561)**	(1,295)	**(5,854)**	(3,473)
Acquisition of intangible assets	**(90)**	(104)	**(295)**	(306)
Disposal of property, plant and equipment	**—**	12	**—**	12
Decrease (increase) in other non-current assets	**2**	(5)	**(7)**	632
Interest received	**—**	31	**43**	69
Cash flows from (used in) investing activities	**(649)**	(1,361)	**(6,113)**	(3,057)
FINANCING ACTIVITIES				
Variation in credit facilities (Note 6)	**(762)**	—	**4,738**	—
Issuance of long-term debt (Note 7)	**—**	5,000	**5,000**	5,000
Financing costs relating to the debt (Note 7)	**—**	(107)	**—**	(107)
Repayment of long-term debt	**(200)**	(196)	**(607)**	(566)
Redemption of subordinate voting shares (Note 8)	**—**	(118)	**—**	(1,918)
Issuance of subordinate voting shares (Note 8)	**—**	—	**6**	688
Dividends paid (Note 8)	**(326)**	(326)	**(652)**	(652)
Interest paid	**(241)**	(131)	**(667)**	(351)
Cash flows from (used in) financing activities	**(1,529)**	4,122	**7,818**	2,094
Impact of fluctuations in foreign exchange rate on cash flows	**21**	—	**(34)**	26
Net change in cash and cash equivalents during the period	**(3,203)**	3,812	**(1,792)**	(3,338)
Cash and cash equivalents, beginning of the period (Note 17)	**3,788**	796	**2,377**	7,946
Cash and cash equivalents, end of the period (Note 17)	**585**	4,608	**585**	4,608

Supplemental information on cash flows is provided in Note 17.

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

Three-Month and Nine-Month Periods Ended October 31, 2016 and 2015

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 and two paint shops, in Canada and in the United States. The Corporation concentrates its activities in the design and engineering of connections, fabrication, including the application of industrial coatings, 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 industry: 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 January 31, 2016 annual Audited Consolidated Financial Statements. 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, 2016.

The Board of Directors approved these condensed interim consolidated financial statements on December 7, 2016. The financial statements have been prepared using the same accounting policies as outlined in Note 2 to the Corporation's Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2016.

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 4 to the Corporation's Audited Consolidated Financial Statements for the Fiscal Year Ended January 31, 2016, and remained unchanged for the three-month and nine-month periods ended October 31, 2016.

NOTE 3
RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

A summary of recent IFRS pronouncements not yet adopted is included in Note 3 of the annual financial statements as at January 31, 2016, and consists of the IFRS 15 "Revenue from Contracts with Customers" published by the IASB in May 2014, the IFRS 16 "Leases" published by the IASB in January 2016, as well as the IFRS 9 "Financial Instruments" published by the IASB in November 2009. The Corporation is currently assessing the impact of the adoption of these standards.

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
PROPERTY, PLANT AND EQUIPMENT

For the three-month and nine-month periods ended October 31, 2016, the amortization of property, plant and equipment totalled $1,090,000 and $3,293,000 respectively ($1,099,000 and $3,177,000 for the three-month and nine-month periods ended October 31, 2015 respectively), and was distributed as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of CA$)	**$**	$	**$**	$
Cost of goods sold	**877**	895	**2,671**	2,630
Selling and administrative expenses	**213**	204	**622**	547
	1,090	1,099	**3,293**	3,177

As at October 31, 2016, all property, plant and equipment were subject to amortization. As at October 31, 2015, the book value of property, plant and equipment not yet used and not amortized stood at $1,287,000, mainly for buildings and improvement to lands. During the nine-month period ended October 31, 2016, the Corporation acquired $5,886,000 in property, plant and equipment, primarily for the new paint shop in Terrebonne, distributed as follows:

As at October 31, 2016	$
(In thousands of CA$)	
Buildings and improvement to lands	**2,903**
Equipment and overhead cranes	**2,654**
Office furniture, rolling stock, and computer hardware (1)	**329**
	5,886

(1) Includes an acquisition in the amount of $32,000 under a capital lease, with no impact on cash and cash equivalents.

NOTE 5
INTANGIBLE ASSETS

As at October 31, 2016 and 2015, all intangible assets were subject to amortization. For the three-month and nine-month periods ended October 31, 2016, amortization of intangible assets totalled respectively $91,000 and $266,000 ($82,000 and $238,000 for the three-month and nine-month periods ended October 31, 2015 respectively), and was distributed as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of CA$)	**$**	$	**$**	$
Cost of goods sold	**35**	36	**106**	108
Selling and administrative expenses	**56**	46	**160**	130
	91	82	**266**	238

NOTE 6
CREDIT FACILITIES

As described in Note 12 "Credit Facilities" of the Notes to the Annual Consolidated Financial Statements as at January 31, 2016, the Corporation has a Canadian-denominated operating credit facility of up to $ 10,000,000. As at October 31, 2016, the balance of this credit facility was $4,713,000 (no amount used as at January 31, 2016).

This credit facility, at the option of the Corporation, bears interest at the bank's prime Canadian rate without mark-up, or at the banker's acceptance rate plus 1.50% or at the US$ LIBOR rate plus 1.50%.

NOTE 7
LONG TERM DEBT

As described in Note 14 "Long-term debt" of the notes to the annual consolidated financial statements as at January 31, 2016, the second tranche of $5,000,000 of its new long-term bank loan obtained from the Business Development Bank of Canada during the year ended January 31, 2016, was paid on February 22, 2016. This second installment brings the total of this loan to $9,899,000 as at October 31, 2016, net of deferred financing fees ($4,895,000 as at January 31, 2016).

The first principal repayment, in the amount of $26,500, will be made on March 1st, 2018, followed by equal monthly installments of $24,500, beginning April 1st, 2018 and ending February 1st, 2035, being the loan's maturity date.

NOTE 8
CAPITAL STOCKS

a) **Capital Stocks**

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, 2015	18,191,035	53,184	14,343,107	16,001	32,534,142	69,185
Issued on exercise of stock options	887,400	1,174	—	—	887,400	1,174
Share redemption	(800,000)	(2,282)	—	—	(800,000)	(2,282)
As at January 31, 2016	18,278,435	52,076	14,343,107	16,001	32,621,542	68,077
Issued on exercise of stock options	**6,000**	**11**	—	—	**6,000**	**11**
As at October 31, 2016	**18,284,435**	**52,087**	**14,343,107**	**16,001**	**32,627,542**	**68,088**

The Corporation did not issue any subordinate voting shares during the three-month period ended October 31, 2016. During the nine-month period ended October 31, 2016, the Corporation issued a total of 6,000 subordinate voting shares, pursuant to the exercise of stock options, for a total of $11,000, comprised of a cash consideration of $6,000 and $5,000 from contributed surplus.

During the three-month ended October 31, 2015, the Corporation did not issue any subordinate voting shares pursuant to the exercise of stock options. During nine-month period ended October 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.

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 could have been repurchased from time to time when deemed appropriate by the Corporation, while considering the economic conditions and its liquidities. Except for the shares repurchased, as mentioned in the following paragraph, no other shares were repurchased during the three-month and nine-month periods ended October 31, 2015, under this NCIB.

During the nine-month period ended October 31, 2015, the Corporation repurchased the 750,000 subordinate voting shares held by three of its executive officers, 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 from 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 have been eligible for repurchase until June 3, 2015, under the NCIB.

During the three-month period ended October 31, 2015, the Corporation repurchased off-Exchange, under the exemptions provided under applicable securities legislation, a total of 50,000 subordinate voting shares held by a former director for a total amount of $143,000 ($2.85 per share), made up of a $118,000 disbursement and $25,000 from contributed surplus.

c) **Dividend**

During the three-month period ended October 31, 2016, the Corporation recognized, as distribution to its shareholders of record as at September 30, 2016, and paid on October 17, 2016, semi-annual dividends of $0.01 per share, totalling $326,000, of which $183,000 for subordinate voting shares and $143,000 for multiple voting shares.

During the three-month period ended October 31, 2015, the Corporation recognized as distribution to its shareholders of record as at September 30, 2015 and paid on October 15, 2015, a semi-annual dividend of $0.01 per share, totalling $326,000, which represented dividends of $183,000 for the subordinate voting shares and $143,000 for the multiple voting shares.

This distribution made during the third quarter ended October 31, 2016, brings the total amount of dividends declared and paid to $652,000 or $0.02 per share for the nine-month period ended October 31, 2016, representing dividends of $366,000 for subordinate voting shares and $286,000 for multiple voting shares (representing dividends of $365,000 for subordinate voting shares and $287,000 for multiple voting shares totaling $652,000 or $0.02 per share for the nine-month period ended October 31, 2015).

d) **Stock Option Plan**

As at October 31, 2016, a total of 3,542,629 subordinate voting shares (3,542,629 shares as at January 31, 2016) were reserved for the Stock Option Plan (the "Plan"), of which 1,473,029 shares as at October 31, 2016 (1,401,029 shares as at January 31, 2016), 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	**October 31, 2016**		January 31, 2016	
	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	**461,664**	**2.68**	1,426,064	1.51
Exercised	**(6,000)**	**1.05**	(887,400)	0.82
Canceled	**(72,000)**	**1.28**	(77,000)	2.34
Outstanding, at the end	**383,664**	**2.97**	461,664	2.68
Exercisable, at the end	**322,664**	**3.04**	349,664	2.81

As at October 31, 2016, 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	Year
6.48	5,000	1.20	6.48	5,000	6.48
5.65	60,000	1.45	5.65	60,000	5.65
2.66	100,000	7.70	2.66	40,000	2.66
2.52	60,000	3.12	2.52	60,000	2.52
2.45	96,000	2.70	2.45	96,000	2.45
2.14	7,664	0.30	2.14	7,664	2.14
1.88	50,000	3.87	1.88	50,000	1.88
1.21	5,000	5.62	1.21	4,000	1.21
	383,664	**4.00**	**2.97**	**322,664**	**3.04**

Total expenses of $11,000 and $27,000 for share-based compensation for the stock options, were recorded in the Consolidated Statement of Income for the Three-Month and Nine-Month Periods Ended October 31, 2016, and corresponding amounts were recognized in contributed surplus (expenses of $9,000 and $35,000 for the three-month and nine-month periods ended October 31, 2015).

No options were granted during the three-month and nine-month periods ended October 31, 2016 and 2015.

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

— **External Director**

During the three-month periods ended October 31, 2016 and 2015, the DSU compensation amounted to $13,000 and $12,000 respectively, each representing 4,194 units and 4,818 units, and are recorded in "Accounts payable and other current liabilities" in the Consolidated Statements of Financial Position.

The DSU compensation granted for the nine-month periods ended October 31, 2016 and 2015, amounted to $579,000 and $61,000 respectively, each representing 187,445 units and 16,093 units and are recorded in "Accounts payable and other current liabilities" in the Consolidated Statements of Financial Position.

The DSU compensation for the nine-month period ended October 31, 2016, includes 175,000 units that were granted on a discretionary basis, for a total amount of $543,000 (none granted during the three-month period ended October 31, 2016).

	3 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(Number of deferred share units)				
Outstanding, at the beginning of the period	**304,597**	150,111	**121,346**	175,645
Granted	**4,194**	4,818	**187,445**	16,093
Exercised	**—**	—	**—**	(36,809)
Outstanding, at the end of the period	**308,791**	154,929	**308,791**	154,929

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 October 31, 2016, an upward re-evaluation in the amount of $96,000 (none for the three-month period ended October 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.

During the nine-month period ended October 31, 2016, a downward re-evaluation in amount of $38,000 was recorded as a decrease in compensation expense, compared with an increase in compensation expense in amount of $23,000 for the nine-month period ended October 31, 2015.

— **Executive Officers and Key Employees**

As set forth in the DSU Plan (see Note 2 p) to the Notes to the Consolidated Financial Statements 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 expenses for the DSU, totalling $96,000 and $239,000 were recorded in the Consolidated Statement of Income for the Three-Month and Nine-Month Periods Ended October 31, 2016 respectively, and the corresponding amounts were recognized in accounts payable and other current liabilities in the Consolidated Statements of Financial Position.

NOTE 9

ACCUMULATED OTHER COMPREHENSIVE INCOME

	3 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of CA$)	**$**	$	**$**	$
Exchange differences on translation of foreign operations				
Opening balance	**6,986**	7,067	**9,668**	5,996
Changes during the period	**1,008**	(12)	**(1,674)**	1,059
Closing balance	**7,994**	7,055	**7,994**	7,055
Hedging of foreign operations, net of related income taxes (1)				
Opening balance	**(300)**	(300)	**(300)**	(300)
Changes during the period	**—**	—	**—**	—
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	**October 31, 2016**	January 31, 2016
(In thousands of CA$)	**$**	$
Exchange differences on translation of foreign operations, net of related hedging activities, net of related income taxes (2)	**7,694**	9,368
Change in value of available-for-sale financial assets (3)	**139**	139
	7,833	9,507

(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) 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.

(3) 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

Revenues from construction contracts, totalling $21,089,000 and $66,390,000 for the three-month and nine-month periods ended October 31, 2016, respectively ($21,260,000 and $69,005,000 for the three-month and nine-month periods ended October 31, 2015) 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 October 31,	**2016**	2015
(In thousands of CA$)	**$**	$
Total amount of cost incurred and profits and losses recorded on all ongoing contracts	**170,743**	164,198
Less progress billings	**(164,821)**	(163,088)
	5,922	1,110

Recognized as follows:

As at	**October 31, 2016**	January 31, 2016
(In thousands of CA$)	**$**	$
Amount owed by clients for work performed on contracts, recorded in work in progress	**8,345**	7,521
Amount owed to clients for work performed on contracts, recorded in deferred revenues	**(2,423)**	(2,753)
	5,922	4,768

Advances received from clients on contracts for work not yet realized are recognized in accounts payable and other current liabilities. These advances stood at $170,000 as at October 31, 2016 ($1,350,000 as at January 31, 2016).

Holdbacks on contracts will be received at the time of the client's approval of the work performed and amounts to $2,862,000 as at October 31, 2016, ($1,693,000 as at January 31, 2016) and are included in current assets in the Consolidated Statement of Financial Position.

NOTE 11
CLASSIFICATION OF EXPENSES PER NATURE

	3 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of CA$)	**$**	$	**$**	$
Salaries and employees' benefit expenses (Note 12)	**10,849**	9,346	**32,520**	27,130
Raw material, consumables and subcontracting	**3,990**	4,201	**14,231**	22,674
Drafting and engineering	**1,660**	577	**3,807**	2,883
Amortization expenses (Notes 4 and 5)	**1,181**	1,181	**3,559**	3,415
Professional fees	**514**	536	**1,927**	1,577
Travelling expenses and representation	**589**	522	**1,689**	1,436
Management fees with related companies (Note 13)	**338**	424	**965**	1,074
Transport	**315**	1,452	**815**	2,848
Electricity and heating	**306**	296	**1,003**	938
Maintenance and repairs	**257**	232	**724**	739
Taxes and permits	**243**	298	**833**	926
Insurance	**286**	252	**771**	775
Office expenses	**116**	117	**406**	365
Others	**189**	159	**550**	479
	20,833	19,593	**63,800**	67,259

Distributed as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of CA$)	**$**	$	**$**	$
Cost of goods sold	**17,836**	16,760	**54,013**	59,048
Selling and administrative expenses	**2,997**	2,833	**9,787**	8,211
	20,833	19,593	**63,800**	67,259

Cost of goods sold is as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of CA$)	**$**	$	**$**	$
Cost of goods sold excluding amortization	**16,924**	15,829	**51,236**	56,310
Amortization of property, plant and equipment and intangible assets	**912**	931	**2,777**	2,738
	17,836	16,760	**54,013**	59,048

NOTE 12
SALARIES AND EXPENSES RELATED TO EMPLOYEES BENEFITS

	3 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of CA$)	**$**	$	**$**	$
Salaries and other short-term benefits	**8,280**	7,277	**24,961**	20,881
Social security costs	**1,938**	1,769	**5,273**	5,207
Pension plan contributions	**348**	291	**1,274**	1,007
Share-based compensation (1)	**216**	9	**806**	35
Other	**67**	—	**206**	—
	10,849	9,346	**32,520**	27,130

(1) Includes discretionary DSUs, totaling $96,000 and $782,000 for the three-month and nine-month periods ended October 31, 2016 (see Note 8 e) (none for the three-month and nine-month periods ended October 31, 2015).

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:

	3 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of CA$)	**$**	$	**$**	$
Salaries and other short-term benefits	**355**	414	**1,783**	1,154
Social security costs	**36**	42	**167**	184
Management fees (1)	**338**	424	**965**	1,074
Pension plan contributions	**9**	16	**114**	111
Share-based compensation (2)	**196**	1	**752**	6
Attendance fees	**67**	88	**206**	328
	1,001	985	**3,987**	2,857

(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) Includes discretionary DSUs, totaling $82,000 and $748,000 for the three-month and nine-month periods ended October 31, 2016 (see Note 8e) (none for the three-month and nine-month periods ended October 31, 2015).

NOTE 14
FINANCIAL EXPENSES

Financial expenses for the three-month and nine-month periods ended October 31, 2016 and 2015 were as follows:

	3 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of CA$)	**$**	$	**$**	$
Interest on long-term debt	**184**	145	**566**	337
Other interest	**59**	6	**101**	36
	243	151	**667**	373

NOTE 15
INCOME TAX EXPENSE

The average effective tax rate for the nine-month period ended October 31, 2016 corresponds to an expense of 24%, representing an amount of $396,000 for an income before income tax expense of $1,642,000. 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 U.S jurisdictions are subject to a higher tax rate than the positive income before income tax from Canadian jurisdictions that are subject to lower tax rates.

The average effective tax rate for the nine-month period ended October 31, 2015 corresponds to an expense of 56%, representing $705,000, for an income before income tax of $1,266,000. 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.

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 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
Numerator (in thousands of CA$)				
Numerator applicable to basic and diluted earnings per share	**36**	1,041	**1,246**	561
Denominator (in thousands)				
Basic weighted average number of shares	**32,627**	32,625	**32,624**	32,594
Effect of dilutive instruments:				
— Stock options	**50**	83	**66**	239
Diluted weighted average number of shares	**32,677**	32,708	**32,690**	32,833

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

During the three-month and nine-month periods ended October 31, 2016, only 218,664 stock options were included in the computation of diluted earnings per share (167,664 stock options during the three-month and nine-month periods ended October 31, 2015) 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 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of CA$)	**$**	$	**$**	$
Accounts receivable	**(5,322)**	(1,494)	**(2,000)**	(2,763)
Holdbacks on contracts	**(839)**	2,513	**(1,267)**	2,875
Income tax	**—**	—	**—**	9
Work in progress	**(1,307)**	(499)	**(891)**	3,843
Inventories	**(185)**	(1,065)	**(542)**	(736)
Prepaid expenses and other current assets	**(5)**	(364)	**68**	(397)
Accounts payable and other current liabilities	**3,518**	421	**(4,832)**	(6,495)
Deferred revenues	**1,346**	(967)	**(241)**	(2,291)
Changes in non-cash working capital items	**(2,794)**	(1,455)	**(9,705)**	(5,955)

For the purpose of the Consolidated Statements of Cash Flows, cash and cash equivalents consisted of $585,000 and $2,377,000 in cash as at October 31, 2016 and January 31, 2016, respectively.

NOTE 18
FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

a) **Financial Risk Management**

As described in Note 29 "Financial Risk Management" to the Audited Consolidated Financial Statements for the fiscal year ended January 31, 2016, 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 nine-month periods ended October 31, 2016, 64% and 63% of the Corporation's revenues were concluded in U.S. dollars (88% and 77% during the three-month and nine-month periods ended October 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. dollar when possible to avail itself of a natural hedging;
- Acquiring fabrication equipment in U.S. dollar;
- Issuance of long-term debt into U.S. dollar;
- Using hedging accounting, the case may be; and
- Using foreign exchange forward contracts and/or foreign currency options to hedge part of the residual exchange risk.

The detail of the derivative financial instruments on hand as at October 31, 2016, in line with its hedging policy, was established as follows:

	As at October 31, 2016			
	In thousands of US$ (1)	**In thousands of CA$ (1)**	**Average rate**	**Expiration date**
Forward foreign exchange contracts	**(4,300)**	**(5,758)**	**1.3391**	**November 1, 2016**
	1,000	**1,280**	**1.2800**	**November 2, 2016**
	750	**973**	**1.2971**	**January 31, 2017**
	3,200	**4,013**	**1.2542**	**January 31, 2017**
	750	**955**	**1.2732**	**April 28, 2017**
	1,000	**1,384**	**1.3837**	**April 28, 2017**
	1,000	**1,316**	**1.3163**	**April 28, 2017**
	1,000	**1,320**	**1.3200**	**July 31, 2017**
	2,000	**2,668**	**1.3338**	**October 31, 2017**
	4,300	**5,736**	**1.3340**	**October 31, 2017**
Foreign currency options	**800**	**1,096**	**1.3700**	**January 31, 2017**
	(800)	**(1,120)**	**1.4005**	**January 31, 2017**
	750	**960**	**1.2800**	**April 28, 2017**
	(750)	**(986)**	**1.3150**	**April 28, 2017**
	750	**945**	**1.2600**	**July 31, 2017**
	(750)	**(965)**	**1.2860**	**July 31, 2017**
	2 000	**2 600**	**1.3000**	**October 31, 2017**
	(2 000)	**(2 752)**	**1.3760**	**October 31, 2017**

(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 as at October 31, 2016 amounted to $474,000 ($403,000 as at January 31, 2016) and was included under the "Derivative Financial Instruments" in current liabilities in the Consolidated Statements of Financial Position.

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 October 31, 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, other current assets, holdbacks on contracts 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 Months		9 Months	
Periods Ended October 31,	**2016**	2015	**2016**	2015
(In thousands of CA$)	**$**	$	**$**	$
Revenues				
Canada	**7,491**	2,501	**13,019**	15,701
United States	**13,598**	18,759	**53,371**	53,304
	21,089	21,260	**66,390**	69,005

As at	**October 31, 2016**	January 31, 2016
(In thousands of CA$)	**$**	$
Non-current assets [(1)]		
Canada	**50,360**	47,480
United States	**47,429**	49,795
	97,789	97,275

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

Revenues from external clients were allocated to each Country on the basis of project's location.

During the nine-month period ended October 31, 2016, 84% of the Corporation's revenues were realized with four (4) clients, each representing more than 10% of revenues, for respective amounts of $21,384,000 from Canada and the United States, $19,975,000 and $6,561,000 from the United States and $7,563,000 from Canada.

During the nine-month period ended October 31, 2015, three (3) clients accounted for 74% of the Corporation's revenues, for respective amounts of $25,871,000 from the United States, and $12,905,000 and $12,096,000 from Canada, therefore each client accounted for more than 10% of the Corporation's revenues.

NOTE 20
SUBSEQUENT EVENT
On November 18, 2016, the Corporation renewed its Canadian operating credit facility, and increased at the same time the available amount. According to this renewed credit facility, the Corporation has access to an operating credit facility of up to $ 20,000,000, compared to $ 10,000,000 previously (see Note 6). Similar to the previous agreement, this credit facility will not be based on margination of the lending value when the order backlog reaches $70,000,000 or higher, as opposed to $50,000,000 under the previous agreement. However, when the order backlog is below $70,000,000, a monthly calculation based on contracts receivable and inventories, which may limit the amount of the available credit facility, is applied,. Effective February 1, 2018,

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