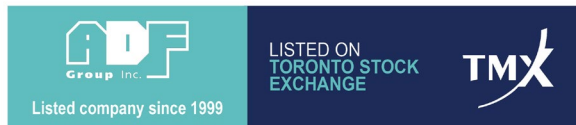


ANNUAL REPORT

Fiscal Year Ended January 31, 2022



Toronto Stock Exchange: TSX : DRX

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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 Management's Discussion and Analysis of the Financial Position and Operating Results (hereinafter "MD&A Report") for the fiscal year ended January 31, 2022.

MESSAGE TO OUR SHAREHOLDERS

In last years' Message to Shareholders, we mentioned that we had defined a five-year plan for the fiscal years 2022 to 2026 based on 10 strategic and promising objectives, including, among other things, investments in our production plants, which are key to the achievement of our objectives and priorities, and to ensure ADF Group's long-term sustainability.

Today, we are pleased to confirm this major initiative in ADF's history, is progressing well. These investments, which will total nearly \$30 million, will be operational in the coming months and will provide our Corporation, and more specifically our fabrication plant located in Terrebonne, Quebec, with a brand-new robotic production line, the only one of its kind in North America, as well as new programmable and automated equipment.

These investments are a reflection of ADF management's commitment to the Corporation's continued growth, and an unequivocal sign of its search for innovative solutions to differentiate itself and continue its pursuit for operational improvements.

From a financial point of view, we were able to continue to improve results with revenues of \$280.7 million, more than \$100 million more than a year earlier, and net income of \$9.6 million, \$2.7 million or 39% more than for the previous year, and this, despite the dealing with the uncertainties surrounding the pandemic. We have also been able to put new financing in place to support our investments, while continuing to grow the order backlog.

It is therefore with enthusiasm that we begin the 2023 fiscal year. The announcements of new contracts in January 2022 were welcomed, and the pipeline of projects currently under negotiation and the announcement of major infrastructure investment programs in North America bode well for our Corporation. The commissioning of the new equipment will naturally be a priority for ADF at the beginning of the fiscal year, but the benefits we will derive from it will allow ADF to stand out and become an undisputed leader in North America in the fabrication of steel structures.

In closing, we want to highlight the resilience of all our employees. The past two years have clearly demonstrated their level of commitment and their pride in a job well done. We thank them for that. We would like to take this opportunity to thank all our business partners, members of our Board of Directors and shareholders for their trust and support.

**The Chairman of the Board of Directors and
Chief Executive Officer**

**The President and
Chief Operating Officer**

**The Executive Vice-President, Treasurer and
Corporate Secretary**

/ Signed /

Jean Paschini

/ Signed /

Pierre Paschini, P.Eng.

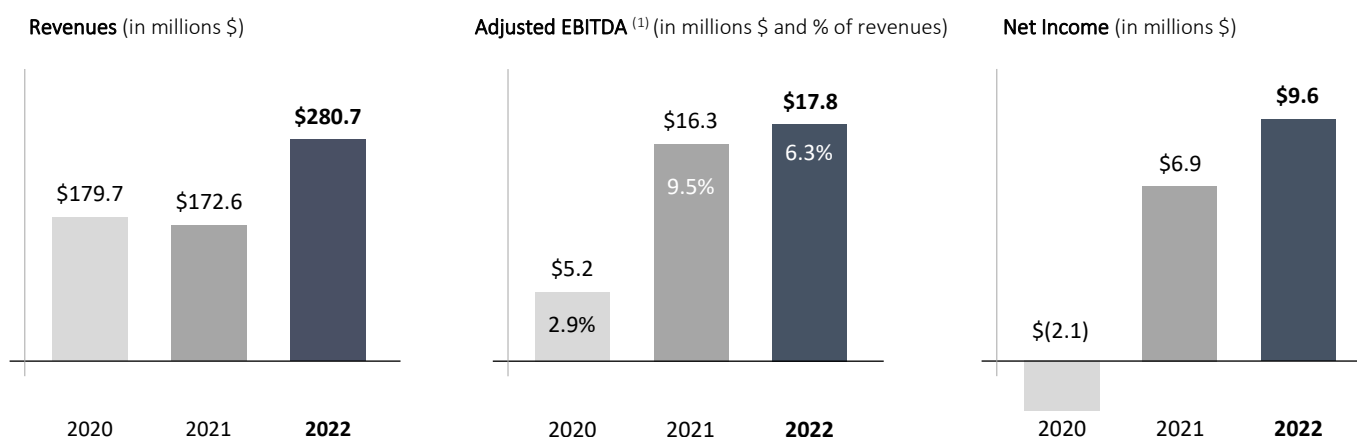
/ Signed /

Marise Paschini

Terrebonne (Québec) Canada, April 11, 2022

FINANCIAL HIGHLIGHTS

Fiscal years ended January 31,



Fiscal Years Ended January 31,	2022	2021	2020	2019 ⁽³⁾	2018 ⁽³⁾
(In thousands of dollars, unless otherwise specified)	\$	\$	\$	\$	\$
Revenues	280,740	172,593	179,710	135,073	180,474
Adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) ⁽¹⁾	17,759	16,341	5,225	1,945	8,436
Income (loss) before income taxes expense	11,059	9,019	(1,986)	(2,393)	2,172
Net income (loss)	9,563	6,867	(2,132)	(374)	(7,213)
Basic and diluted earnings per share	0.29	0.21	(0.07)	(0.01)	(0.22)
Cash flows from (used in) operating activities	2,669	28,842	(894)	11,675	3,662
Net acquisition of property, plant and equipment	21,477	1,460	360	3,063	4,831

As at January 31,	2022	2021	2020	2019 ⁽³⁾	2018 ⁽³⁾
(In thousands of dollars, unless otherwise specified)	\$	\$	\$	\$	\$
Total assets	201,050	189,951	173,544	163,212	175,258
Shareholders' equity	108,450	99,565	94,407	96,895	95,782
Cash and cash equivalents	7,130	17,806	3,983	4,164	2,998
Working capital ⁽²⁾	38,713	38,548	29,313	31,848	34,768
Working capital ratio ⁽²⁾	1.74 :1	1.62:1	1.58:1	1.85:1	1.74:1
Order backlog ⁽²⁾	373,100	436,200	328,700	219,500	85,500

Notes

- (1) Adjusted EBITDA is a non-GAAP (Generally Accepted Accounting Principles) financial measure. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare the Corporation's financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Section 10 "Non-GAAP Financial Measures and Other Financial Measures" of the MD&A Report for the Fiscal Year Ended January 31, 2022, for the definition of this metric and the reconciliation to the most comparable International Financial Reporting Standard (hereinafter "IFRS").
- (2) Additional financial measures. Refer to the Section 10 "Non-GAAP Financial Measures and Other Financial Measures" of the MD&A Report for the Fiscal Year Ended January 31, 2022, for the definition of these metrics.
- (3) The Corporation adopted IFRS 16 Leases on February 1st, 2019, using the amended retrospective method that does not require the restatement of financial statements from prior fiscal years. As a result, the comparative data prior to February 1, 2019, in this table have not been adjusted.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

of the financial position and Operating Results for the Fiscal Year Ended January 31, 2022

1. GENERAL

The purpose of this Management's Discussion and Analysis of the Financial Position and Operating Results (hereinafter "MD&A Report") 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, 2021 and January 31, 2022. It also compares the operating results and cash flows for the fiscal year ended January 31, 2022 to those of the previous fiscal year. This MD&A Report covers all major events that occurred during the 2022 fiscal year and between February 1, 2022 and April 11, 2022.

This MD&A Report should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto for the fiscal year ended January 31, 2022. The consolidated financial statements and the comparative information have been prepared in accordance with the International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies applied by the Corporation in accordance with IFRS are presented in Note 2 to the consolidated financial statements for the fiscal year ended January 31, 2022.

The Corporation reports its results in Canadian dollars. All amounts in this MD&A Report 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 Report 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 23 "External Factors to Which the Corporation's Performance is Exposed" in this MD&A Report. It should be noted that the list of factors that may affect future growth, results and performance, provided in this MD&A Report, 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. GENERAL 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 infrastructure. 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-metre (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-metre (48,000 square feet) dual-purpose building, adjacent to the fabrication plant, housing a 2,323-square-metre (25,000 square feet) paint and blast zone, and a 2,137-square-metre (23,000 square feet) area for preparation and detailing work.

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, including 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 infrastructure 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.

Despite the uncertainty surrounding the pandemic and its many variants, the markets in which ADF operates have performed generally well over the past twelve months. In addition, and even more interesting, is that the trends remain positive showing several encouraging signs.

First, numerous investment programs aimed at improving U.S. and Canadian infrastructure have been announced in recent months. In light of all of these programs, certain market analysis, foresee market growth until 2025.

Several indicators remain high, including the U.S. Architectural Billing Index ("ABI"), which is a reliable indicator of the future trend in new projects.

Despite all of this positive information and favorable trends, rising inflation, pressure on supply chains, and labor shortages remain factors that could have an impact on expected growth. That being said, and as already explained by the Corporation, ADF ensures that the required processes to mitigate these risks are in place, including significant investments toward the automation of its fabrication processes.

6. SIGNIFICANT EVENTS OF THE FISCAL YEAR

6.1 Dividends

- On April 7, 2021, the Corporation's Board of Directors approved a semi-annual dividend of \$0.01 per share, paid on May 17, 2021 to shareholders of record as at April 30, 2021.
- On September 8, 2021, the Corporation's Board of Directors approved a semi-annual dividend of \$0.01 per share, which was paid on October 15, 2021 to shareholders of record as at September 30, 2021.

6.2 New Contracts

- On September 9, 2021, the Corporation announced the signing of new contracts totalling nearly \$50.0 million, in Canada and the United States. The largest of these new contracts was won in the transportation infrastructure sector in the Western USA. Fabrication work started in early 2022 at both ADF's plants located in Terrebonne, Quebec and in Great Falls, Montana in USA, and is expected to run until the fall of 2022, followed by the steel erection work of this new structure at the job site, which is scheduled to extend approximately over a 10-month period.
- On January 31, 2022, the Corporation announced the award of a series of new contracts totalling \$100.0 million. Specifically, the Corporation has been selected to participate in new construction projects in the commercial building sector in Southeast and Western USA, as well as in the industrial sector in Eastern Canada. The scope of the largest of these contracts, in terms of value and tonnage, covers all the services offered by ADF, namely, the design and engineering of connections, fabrication, which also encompasses industrial coatings, the production of shop drawings and the procurement of steel, as well as the installation of the steel structures for commercial buildings in Southeastern USA.

6.3 U.S. Revolving Credit

On November 1st, 2021, the Corporation renewed its revolving credit agreement with a U.S. bank. This renewal increased the available limit from US\$2.0 million as at January 31, 2021, to US\$2.5 million as at January 31, 2022.

6.4 New Financing

On November 9, 2021, the Corporation obtained from the Business Development Bank of Canada ("BDC") a \$30.0 million bank loan, of which \$16.2 million was used for the repayment of an existing loan, and \$13.8 million to increase the Corporation's working capital. This loan was drawn as at January 31, 2022.

7. SIGNIFICANT EVENTS THAT OCCURRED SINCE JANUARY 31, 2022

7.1 Dividend

On April 11, 2022, the Corporation's Board of Directors approved a semi-annual dividend of \$0.01 per share, which will be paid on May 17, 2022 to shareholders of record as at April 29, 2022.

7.2 New Financing

On January 14, and January 18, 2022, the Corporation obtained two bank loans from *Investissement Québec* ("IQ"), totaling \$20.0 million, which will go toward financing the capital expenditure program previously announced by the Corporation, and initiated during the fiscal year ended January 31, 2022. No amount was drawn as of January 31, 2022 (refer to Section 30.2 hereinafter for more detail).

8. COVID-19

Since March 2020, the COVID-19 pandemic has spread to North America. The markets served by ADF have, of course, not been spared by the many waves.

A number of Canadian provinces and U.S. states, including Quebec and Montana, have instituted confinement periods or have introduced certain restrictions to contain the spread of the virus, except for essential services. Since the beginning of this pandemic and at the time of this MD&A Report, all of ADF's facilities, including all of its job sites, remained open and operational.

The Corporation has taken steps to care for its employees, including allowing them to work remotely and implementing strategies to support appropriate social distancing techniques for employees who cannot work remotely. The Corporation is also evaluating its business continuity plans for all of its operations in the context of this pandemic. This situation is evolving rapidly and the Corporation will continue to monitor and mitigate developments affecting its staff, suppliers, customers and the general public as much as it can.

Therefore, although for the time being, the impact of COVID-19 on ADF's activities is limited, and despite the fact that we see a generalized easing of measures implemented by the different government authorities where ADF operates, the extent to which the virus can have an impact on our results will depend on future developments, including new information that may emerge. We will continue to monitor the announcements and measures of the health authorities, including reopening measures and the impacts of new variants.

9. 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 foreign exchange forward contracts) and expenses for the periods mentioned, while closing rates translate assets and liabilities.

During the fiscal year ended January 31, 2022, as well as during the previous fiscal year, the Corporation used the following exchange rates between the Canadian and U.S. dollars:

	Consolidated Statements of Income and Comprehensive Income				Consolidated Statements of Financial Position	
	Quarterly		Cumulative		2022	2021
	2022	2021	2022	2021		
First quarter (April 30)	1.2585	1.3784	1.2585	1.3784	1.2285	1.3910
Second quarter (July 31)	1.2293	1.3664	1.2439	1.3723	1.2462	1.3404
Third quarter (October 31)	1.2571	1.3222	1.2482	1.3557	1.2384	1.3318
Fourth quarter (January 31)	1.2661	1.2866	1.2527	1.3388	1.2719	1.2780
Annual averages	1.2527	1.3388				

The Canadian dollar gained in value against the U.S. currency based on the annual average basis.

The closing rate for the fiscal year ended January 31, 2022, is 0.5% lower than a year earlier, which will have a slight downward impact on US-denominated assets and liabilities.

Although the Corporation enters, from time to time and according to its internal policy, into foreign exchange contracts in order to cover the foreign exchange risk, these exchange rate variations have had an adverse impact of \$8.7 million on the gross margin for the fiscal year ended January 31, 2022, and generated a foreign exchange loss of \$0.5 million on the Consolidated Statement of Income during the same period.

10. NON-GAAP FINANCIAL MEASURES AND OTHER FINANCIAL MEASURES

This MD&A Report is based on results prepared in accordance with IFRS and includes non-GAAP financial measures and other financial measures. Non-GAAP financial measures provide useful additional information, but do not have standardized meanings established in accordance with GAAP. Readers should be careful not to confuse or substitute them with performance measures prepared in accordance with GAAP. In addition, readers should avoid comparing these non-GAAP measures to similarly titled measures provided or used by other issuers. When such indicators are presented, they are defined and the reader is notified.

The Corporation uses the following indicators to measure its operating performance and the achievement of objectives:

Fiscal Years Ended January 31,	2022	2021
Non-GAAP financial measures		
Adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA) (in thousands of dollars)	\$17,759	\$16,341
Adjusted EBITDA margin (as a percentage of revenues)	6.3%	9.5%
Supplementary financial measures		
Gross margin (as a percentage of revenues)	8.8%	15.2%

As at January 31,	2022	2021
Supplementary financial measures		
Working capital (in thousands of dollars)	\$38,713	\$38,548
Working capital ratio	1.74:1	1.62:1
Order backlog (in thousands of dollars)	\$373,100	\$436,200

10.1 Adjusted EBITDA and Adjusted EBITDA Margin

The adjusted EBITDA and the adjusted EBITDA margin show 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 losses, and
- Depreciation and amortization of property, plant and equipment, intangible assets and right-of-use assets.

Net income is reconciled with adjusted EBITDA in the table below:

Fiscal Years Ended January 31,	2022	2021
(In thousands of dollars)	\$	\$
Net income	9,563	6,867
Income tax expense	1,496	2,152
Net financial expenses	1,174	1,663
Amortization	5,054	4,915
Foreign exchange loss	472	744
Adjusted EBITDA	17,759	16,341
— As a % of revenues ⁽¹⁾	6.3%	9.5%

(1) The adjusted EBITDA margin results from dividing adjusted EBITDA by revenues.

Adjusted EBITDA for the fiscal year ended January 31, 2022, benefited from COVID-19-related grants from the Canadian government totaling \$1.9 million and a \$2.1 million gain on disposal of property, plant and equipment.

As for the adjusted EBITDA for the fiscal year ended January 31, 2021, it benefited from COVID-19 grants from both the Canadian and U.S. governments. The total amount included in the results, and thus having mainly improved the gross margin, and to a lesser extent the selling and administrative expenses, and therefore the adjusted EBITDA had then totalled \$6.3 million. This amount did not, however, take into account the direct costs incurred by the Corporation in order to put in place the health and physical distancing measures required by the local government authorities, nor did it take into account the operational efficiency losses due to these same measures.

10.2 Gross Margin as a Percentage of Revenues

The gross margin as a percentage of revenue indicator is used by the Corporation to assess the level of profitability for a given period based on the project mix for that same period. This indicator is subject to fluctuations in project prices and also in the operational efficiency of the Corporation. The indicator of gross margin as a percentage of revenues results from dividing gross margin by revenues.

In general, the Corporation aims to improve this indicator but recognizes that its fluctuation depends on the type of project signed and several other factors, including the economic context.

10.3 Working Capital and Working Capital Ratio

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

Generally, Management's goal is to achieve a working capital ratio of at least 2.0:1. Although this ratio was below this goal as at January 31, 2022 and 2021, the Corporation establishes the achievement of this goal on the pursuit of its strategy focusing on the execution of contracts generating positive cash flows throughout their execution.

However, the Corporation also recognizes that the growth of its order backlog adds some pressure on working capital, thus explaining the level of this ratio in relation to the Corporation's long-term objective. It should be noted that the drawing up and/or revision of this corporate goal depends on a number of factors, such as the economic context and development projects that might materialize.

10.4 Order Backlog

The order backlog is a measure used by the Corporation to assess future revenue levels. The order backlog includes firm orders obtained by the Corporation, either through a firm contract or a formal notice to proceed confirmed by the client. The order backlog disclosed by the Corporation therefore includes the portion of confirmed contracts that have not been put into production.

In general, the Corporation aims to improve this indicator but recognizes that its fluctuation is dependent on several factors, including the economic context.

11. SELECTED ANNUAL FINANCIAL INFORMATION

Fiscal Years Ended January 31,	2022	2021	2020
(In thousands of dollars and in dollars per share)	\$	\$	\$
Revenues	280,740	172,593	179,710
Net income (loss)	9,563	6,867	(2,132)
— Basic and diluted per share	0.29	0.21	(0.07)
Total assets	201,050	189,951	173,544
Non-current liabilities	40,211	28,338	28,488
Annual dividend per share	0.02	0.02	0.02

Revenues for the fiscal year ended January 31, 2022, totaled \$280.7 million, up by \$108.1 million compared with the previous year. This increase is in line with the order backlog growth, including fabrication of projects generating margins lower than usual, in line with their lower complexity level, but which required more and accelerated fabrication hours.

The net income recorded an increase of \$2.7 million during the fiscal year ended January 31, 2022, compared with fiscal 2021, in line with the higher revenues, whereas the results for the fiscal year ended January 31, 2021, were impacted, as mentioned previously, by COVID-19 related subsidies, totaling \$6.3 million, from which direct and indirect costs related the implementation of the required sanitary and physical distancing measures needed to be deducted.

Total assets went up by \$11.1 million, which mainly stems from the capital expenditure program previously mentioned in this MD&A Report.

12. ANALYSIS OF OPERATING RESULTS FOR THE FISCAL YEAR ENDED JANUARY 31, 2022

During the 12 months of operations between February 1st, 2021 and January 31, 2022, the Corporation pursued its activities consisting of the design and engineering of connections, fabrication, including industrial coating, and installation of complex steel structures and heavy steel built-ups, in Canada and the United States.

12.1 Revenues and Gross Margin

Fiscal Years Ended January 31,	2022	2021	Annual variations	
(In thousands of dollars and in percentages)	\$	\$	\$	%
Revenues	280,740	172,593	108,147	62.7
Cost of goods sold	256,046	146,388	109,658	74.9
Gross margin	24,694	26,205	(1,511)	(5.8)
— As a % of revenues ⁽¹⁾	8.8%	15.2%		(6.4)

(1) Gross margin as a percentage of revenues is a supplementary financial measure. Refer to the Section 10 "Non-GAAP Financial Measures and Other Financial Measures" of this MD&A Report, for definition of this metric.

Revenues

Revenues during the fiscal year ended January 31, 2022, totalled \$280.7 million, up by \$108.1 million or 62.7% higher compared with the fiscal year ended January 31, 2021.

Revenues are recognized progressively based on costs incurred to date relative to the total estimated costs at completion on the various projects executed during the fiscal year.

The increase in revenues is mainly explained by the increase in the order backlog that began a few quarters ago. However, the change in the foreign exchange rate during the 2022 fiscal year has in turn reduced revenues by \$23.7 million.

In terms of economic dependency, 86% of the Corporation's revenues during the fiscal year ended January 31, 2022, were realized with three (3) clients, for respective amounts of \$169.0 million and \$40.6 million from the United States, and \$31.4 million from Canada, each accounting for 10% or more of the Corporation's revenues.

During the fiscal year ended January 31, 2021, 66% of the Corporation's revenues during the fiscal year ended January 31, 2021, were realized with three (3) clients, for respective amounts of \$63.6 million and \$28.1 million from the United States, and \$21.5 million from Canada, and each accounting for 10% or more 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, decreased by \$1.5 million during the 2022 fiscal year over the 2021 fiscal year. Gross margin, as a percentage of revenues, ⁽¹⁾ went from 15.2% during the fiscal year ended January 31, 2021, to 8.8% during the fiscal year ended January 31, 2022.

This decrease, as a percentage of revenues, is explained by the fabrication of two projects signed at lower margins, in line with their lower complexity level. Although margins in percentage of revenues were lower than those generally generated by ADF's regular projects, the large volume of steel and accelerated schedules of these projects generated revenues and as such, more than adequate margins dollars.

The gross margin during the fiscal year ended January 31, 2022, benefited from Canada Emergency Wage Subsidy ("CEWS") totalling \$1.6 million recorded during the first quarter ended April 30, 2021, while gross margin during the fiscal year ended January 31, 2021, benefited from similar subsidies totalling \$5.5 million. Therefore, excluding these COVID-19-related subsidies, gross margin, in dollars, as at January 31, 2022, would have been \$2.4 million higher than that on the same date a year earlier.

As described in Section 19 "Order Backlog", the fabrication hours are not only the Corporation's core activity, but are also its most value-added activity. To that effect, the revenues during the fiscal year ended January 31, 2022, were comprised of 32% of fabrication hours, similar to that of the previous fiscal year ended January 31, 2021.

Increases or decreases in raw material (mainly steel) prices do not generally have a material impact on the gross margin since in some of the contracts in hand, the clients sometime 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.

It should be noted that for the fiscal year ended January 31, 2022, and as of the date of this MD&A Report, the pandemic did not have an impact on ADF's operations regarding the supply or cost of raw materials, mainly steel.

12.2 Selling and Administrative Expenses

Fiscal Years Ended January 31, (In thousands of dollars and in percentage)	2022	2021	Annual variations	
	\$	\$	\$	%
Selling and administrative expenses	11,989	14,779	(2,790)	(18.9)

Selling and administrative expenses amounted to \$12.0 million, which is \$2.8 million lower than in fiscal 2021. This variation reflects a \$2.1 million gain realized on the disposal of assets and the general reduction in travel expenses resulting from the pandemic-related restrictions.

12.3 Amortization

In accordance with IFRS standards, amortization expense is included in the cost of goods sold and selling and administrative expenses. However, Management considers it appropriate to continue separately commenting on amortization expense since it is considered a significant, although non-cash, component in the analysis of the Corporation's profit margins.

Fiscal Years Ended January 31, (In thousands of dollars and in percentage)	2022	2021	Annual variations	
	\$	\$	\$	%
Amortization	5,054	4,915	139	2.8

The amortization expense for the 2022 fiscal year amounted to \$5.1 million, which was \$0.1 million higher than in fiscal 2021. This increase in amortization will continue in coming quarters in light of the capital expenditure program aimed at automating fabrication process at ADF's plant in Terrebonne, Quebec, that began during the fiscal year ended January 31, 2022 and that will be completed in the next quarters.

(1) Gross margin as a percentage of revenues is a supplementary financial measure. Refer to the Section 10 "Non-GAAP Financial Measures and Other Financial Measures" of this MD&A Report, for definition of this metric.

The amortization expenses breakdown is as follows:

Fiscal Years Ended January 31,	2022	2021	Annual variations	
(In thousands of dollars and in percentages)	\$	\$	\$	%
Amortization expense included in cost of goods sold	3,730	3,713	17	0.5
Amortization expense included in selling and administrative expenses	1,324	1,202	122	10.1
Total amortization	5,054	4,915	139	2.8

12.4 Net Financial Expenses

Fiscal Years Ended January 31,	2022	2021	Annual variations	
(In thousands of dollars and in percentage)	\$	\$	\$	%
Net financial expenses	1,174	1,663	(489)	(29.4)

The decrease in net financial expenses is explained by the impact of the lower interest rates on ADF's variable rate loans and the lower use of the Corporation's credit facilities during the fiscal year ended January 31, 2022 (refer to Section 14 "Cash Flows and Financial Position" hereinafter).

12.5 Foreign Exchange Loss

Fiscal Years Ended January 31,	2022	2021	Annual variations	
(In thousands of dollars and in percentage)	\$	\$	\$	%
Foreign exchange loss	472	744	(272)	(36.6)

The foreign exchange loss recorded during the fiscal year ended January 31, 2022, includes a \$0.1 million foreign exchange gain on ongoing operations and a \$0.6 million realized and not realized foreign exchange loss relating to the fair value of financial derivatives. During the 2022 fiscal year, an immaterial foreign exchange loss on the translation of foreign subsidiaries was recorded in Comprehensive Income.

The foreign exchange loss recorded during the fiscal year ended January 31, 2021, includes a \$1.7 million foreign exchange loss on ongoing operations and a \$0.9 million realized and not realized foreign exchange gain relating to the fair value of financial derivatives. During the 2021 fiscal year, a \$1.1 million foreign exchange loss on the translation of foreign subsidiaries was recorded in Comprehensive Income.

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. For the fiscal year ended January 31, 2022, 86% of the Corporation's revenues were recorded in U.S. dollars (81% during the fiscal year ended January 31, 2021). Considering the improvement in U.S. markets and its new plant in Great Falls, Montana, the Corporation expects that the percentage of its revenues in U.S. dollars will continue to be significant during the fiscal year 2023.

In line with its hedging policy, to manage its net risk between the future US-denominated cash inflows and outflows, the Corporation entered into foreign exchange forward contracts. As at January 31, 2022, the Corporation was party to foreign exchange forward contracts for the sale of US\$24.5 million (US\$24.1 million as at January 31, 2021) with maturities varying between three months to twelve months with rates between 1.2578 and 1.2950 (between 1.2763 and 1.3412 as at January 31, 2021).

Based on the balance as at January 31, 2022, of the Corporation's financial instruments denominated in foreign currencies, a 10% fluctuation in the exchange rate between the Canadian and U.S. dollars (all other variables remaining constant), would have had no impact on net income before tax (a \$0.6 million impact during the fiscal year ended January 31, 2021).

However, this information only applies to financial instruments based on year-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.

12.6 Income Tax Expense

Fiscal Years Ended January 31,	2022	2021	Annual variations	
(In thousands of dollars and in percentage)	\$	\$	\$	%
Income tax expense	1,496	2,152	(656)	(30.5)

The effective tax rates for the fiscal years ended January 31, 2022 and 2021, stood respectively at 13.5% and 23.9%, compared with the Corporation's Canadian effective rate, which is 27%.

These effective rates come mainly from the mix of profits or losses of ADF's different subsidiaries, according to their legal and tax jurisdictions.

As at January 31, 2022, the Corporation had operating tax losses estimated at \$31.8 million available in the United States (\$37.8 million as at January 31, 2021) for carry forwards, for which no deferred tax benefit has been recorded in the Consolidated Statement of Income. The Corporation deems prudent not to recognize these new deferred tax assets related to its U.S. operations, since the time of the write-off of deferred tax assets in the fourth quarter ended January 31, 2018, which were also derived from tax losses of U.S. subsidiaries. The Corporation therefore recognizes these assets as its U.S. subsidiaries record taxable income.

In addition, these operating losses will also have a favorable impact on the Corporation's future cash outflows, avoiding to incur tax payable up to the full amount of these tax attributes available in the various jurisdictions where the Corporation has contracts.

12.7 Net Income, Basic and Diluted Earnings per Share

Fiscal Years Ended January 31,	2022	2021
(In thousands of dollars and in dollars per share)	\$	\$
Total net income	9,563	6,867
Total basic and diluted earnings per share	0.29	0.21

The increase in net income during the fiscal year ended January 31, 2022, compared with the 2021 fiscal year, results from items previously explained in this section, and more specifically, the increase in revenues, the gain on the disposal of assets, and the COVID-19-related subsidies during the two fiscal years analyzed.

13. COMMENTS ON QUARTERLY RESULTS

The trends observed in the analysis of quarterly results do not necessarily represent those of the future results of the Corporation. ADF's fabrication 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 accrued costs within different projects and for every 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 (8) quarters presented hereinafter, these fluctuations are mostly explained by the fabrication schedules of the different projects underway. Considering that revenues is recognized progressively based on costs incurred to date relative to the total estimated costs at completion on the various projects executed during the fiscal year, revenue and operating results can differ significantly from quarter to quarter because of these execution schedules.

13.1 Results for the Last Eight (8) Quarters

Fiscal Years Ended January 31,	2022				2021			
	4 th Quarter (01.31.2022)	3 rd Quarter (10.31.2021)	2 nd Quarter (07.31.2021)	1 st Quarter (04.30.2021)	4 th Quarter (01.31.2021)	3 rd Quarter (10.31.2020)	2 nd Quarter (07.31.2020)	1 st Quarter (04.30.2020)
(In thousands of dollars and in dollars per share)	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	46,993	110,189	73,171	50,387	37,142	47,158	42,496	45,797
Gross margin	5,081	6,202	5,639	7,772	6,453	7,507	7,407	4,837
— As a % of revenues ⁽¹⁾	11%	6%	8%	15%	17%	16%	17%	11%
Adjusted EBITDA ⁽²⁾	3,875	4,698	3,074	6,112	3,777	5,020	4,577	2,967
— As a % of revenues ⁽²⁾	8%	4%	4%	12%	10%	11%	11%	6%
Income (loss) before income tax expense	1,954	3,247	1,362	4,496	2,263	3,421	3,895	(560)
Net income	882	2,788	1,498	4,395	2,108	2,579	2,112	68
— Basic and diluted per share	0.03	0.09	0.05	0.13	0.06	0.08	0.06	0.00

(1) Gross margin as a percentage of revenues is a supplementary financial measure. Refer to the Section 10 "Non-GAAP Financial Measures and Other Financial Measures" of this MD&A Report, for definition of this metric.

(2) Adjusted EBITDA and adjusted EBITDA margin (as a percentage of revenues) are non-GAAP financial measures. A non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare the Corporation's financial statements and might not be comparable to similar financial measures used by other issuers. Refer to the Section 10 "Non-GAAP Financial Measures and Other Financial Measures" of this MD&A Report, for definition of these metrics and the reconciliation to the most comparable IFRS.

13.2 Results for the Fourth Quarter Ended January 31, 2022

For the three months ended January 31, 2022, the Corporation recorded revenues of \$47.0 million, up by \$9.9 million from the fourth quarter of the 2021 fiscal year. The change compared with this quarter is explained by the fabrication schedule, in line with the order backlog in hand. The decrease in revenues during the quarter ended January 31, 2022, compared with the previous quarter ended October 31, 2021, is explained by the completion of projects, previously mentioned in this MD&A Report, which generated large volume of structural steel fabrication.

The gross margin, as a percentage of revenues ⁽¹⁾, stood at 11% for the fourth quarter ended January 31, 2022, compared with 17% for the corresponding quarter of fiscal 2021. The decrease in margins between these two quarters is primarily explained by the impact of the \$5.5 million COVID-19-related subsidy previously mentioned in this MD&A Report, received during the fourth quarter ended January 31, 2021.

(1) Gross margin as a percentage of revenues is a supplementary financial measure. Refer to the Section 10 "Non-GAAP Financial Measures and Other Financial Measures" of this MD&A Report, for definition of this metric.

The Corporation recorded net income of \$0.9 million during the last quarter of fiscal 2022, compared with net income of \$2.1 million for the corresponding period of fiscal 2021, which had benefited, in addition to the items previously mentioned, from a favorable effective tax rate, in light of the breakdown of profits and losses according to the Corporation's subsidiaries respective tax jurisdictions.

14. CASH FLOWS AND FINANCIAL POSITION

The Corporation has 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 facilities and the level of planned capital spending, the Corporation does not expect any liquidity risk in a foreseeable future.

On January 31, 2022, cash and cash equivalents totalled \$7.1 million, down by \$10.7 million compared with January 31, 2021. In addition, as at January 31, 2022, nor as at January 31, 2021, the Corporation did not draw from its credit facilities. Management believes that these available funds are sufficient to support the growth and execution of its order backlog in hand on January 31, 2022, and to meet its financial commitments for the 2023 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. It also looks at opportunities for accelerated payments discounts negotiated with suppliers (see Section 31 "Outlook").

14.1 Operating Activities

During the 2022 fiscal year, the Corporation generated cash flows from its operating activities and assigned its cash flows as follows:

Fiscal Years Ended January 31,	2022	2021
(In thousands of dollars)	\$	\$
Net income adjusted for non-cash items	16,607	10,205
Changes in non-cash operating working capital items:		
Accounts receivable	20,342	(10,870)
Contract assets	(21,099)	5,236
Inventories	(2,714)	830
Prepaid expenses and other current assets	2,382	(922)
Accounts payable and other current liabilities	(2,041)	3,580
Contract liabilities	(9,366)	20,793
Others	(15)	(10)
	(12,511)	18,637
Income tax paid	(1,427)	—
Cash flows from operating activities	2,669	28,842

Net income adjusted for non-cash items totalled \$16.6 million during the 2022 fiscal year, which is \$6.4 million higher than during the 2021 fiscal year. This difference is for the most part explained by the increase in net income and by the gain on disposal of property, plant and equipment, net of the variation from public subsidies between the two periods analyzed.

During the 2022 fiscal year, changes in non-cash operating working capital items required cash of \$12.5 million. This cash outflow is mostly explained by the net change in contract assets and liabilities (\$30.5 million), net of the decrease in accounts receivable (\$20.3 million). These variations are in line with the activity level as at January 31, 2022, compared with the same date a year ago, in line with the execution of the order backlog.

Overall, operating activities therefore generated cash flows of \$2.7 million during the fiscal year ended January 31, 2022, compared with a cash inflow of \$28.8 million during the fiscal year ended January 31, 2021.

During the 2021 fiscal year, changes in non-cash operating working capital items generated cash of \$18.6 million. This cash inflow is mostly explained by the net change in contract assets and liabilities (\$26.0 million) and the increase in accounts payable and other current liabilities (\$3.6 million), net of the increase in accounts receivable (\$10.9 million).

14.2 Investing Activities

The Corporation's investing activities are summarized as follows:

Fiscal Years Ended January 31,	2022	2021
(In thousands of dollars)	\$	\$
Acquisition of property, plant and equipment	(21,477)	(1,460)
Acquisition of intangible assets	(589)	(361)
Others	77	68
Cash flows used in investing activities	(21,989)	(1,753)

During the 2022 fiscal year, \$22.1 million in liquidities were used, mainly for the acquisition of property, plant and equipment (\$21.5 million) and intangible assets (\$0.6 million). As previously explained in prior MD&A reports, the vast majority of these sums were for the capital expenditure program aimed at equipping the fabrication plant located in Terrebonne, Quebec with a new robotic production line, unique in North America, as well as new programmable and automated equipment.

The intangible assets for both fiscal years relate primarily to the in-house development and implementation of production, estimating and financial software.

The Corporation anticipates capital expenditure for fiscal year 2023 of \$6.0 million, which will primarily go toward the completion of the capital expenditure aforementioned and to keep the production equipment current at its plants in Terrebonne, Quebec and in Great Falls, Montana.

14.3 Financing Activities

The Corporation's financing activities were as follows:

Fiscal Years Ended January 31,	2022	2021
(In thousands of dollars)	\$	\$
Variation in the credit facilities	—	(13,105)
Issuance of long-term debt	30,000	5,654
Repayment of long-term debt	(17,878)	(1,918)
Payment of lease liabilities	(963)	(961)
Dividends paid	(653)	(653)
Interest paid	(988)	(1,460)
Others	(316)	—
Cash flow from (used in) financing activities	9,202	(12,443)

During fiscal year 2022, financing activities generated liquidities of \$9.2 million, compared with a cash outflow of \$12.4 million during the previous fiscal year.

As mentioned in Section 25 "Subsequent Events" of the MD&A Report for the quarter ended October 31, 2021, the Corporation obtained in November 2021, from the BDC, a bank loan of \$30.0 million, of which a portion in the amount of \$16.2 million was used to fully repay an existing bank loan, and the other portion in the amount of \$13.8 million was used to increase the Corporation's working capital. This new bank loan was fully drawn during the three-month period ended January 31, 2022.

Moreover, in January 2022, the Corporation obtained two bank loans from IQ, totaling \$20.0 million, which will be used to finance the capital expenditure program previously announced by the Corporation, which was initiated during the fiscal year ended January 31, 2022. No amount was drawn from these two loans as at January 31, 2022 (see Section 30 "Subsequent Events" hereinafter).

For the fiscal year ended January 31, 2021, cash outflows were mainly used to repay the credit facilities, net of the issuance of long-term debt. On May 5, 2020, the Corporation had received two new loans from a U.S. bank totalling \$5.7 million (US\$4.0 million), which were issued to two of ADF's subsidiaries under the *US Care Act* in response to COVID-19. These loans were to be repaid over an 18-month period, starting December 2020, or after, conditional to the latest legislative changes to the program. In addition, these loans could, if certain conditions were met, be partially or entirely forgiven. During the fourth quarter ended January 31, 2021, the Corporation assessed that it met the conditions and therefore recognized the forgiveness of a portion of the total debt, amounting to US\$3.0 million (\$3.9 million). As of January 31, 2022, the Corporation was still awaiting the decision of the U.S. authorities for the second loan of US\$0.9 million (\$1.2 million) and had therefore not started the repayment of the loan or acknowledged forgiveness.

During the fiscal years 2022 and 2021, the Corporation reimbursed a total of \$2.7 million and \$2.9 million respectively on its long-term debts and lease liabilities, in addition to the full repayment, as at January 31, 2022, of an existing bank loan of \$16.2 million, as previously described in this section. The Corporation also paid a total of \$0.7 million in dividends to its Shareholders of Record, for each of the fiscal years 2022 and 2021.

14.4 Payment of Rents and Interest and Payment of Principal on Debt

The Corporation pays interest on its long-term debts, based on interest rates ranging between 1.0% and 3.05% as at January 31, 2022. The Corporation is currently making monthly principal repayments totalling less than \$0.2 million on these debts. Other rent payments relating to lease liabilities and other long-term contracts are described in Section 14.6 below.

14.5 Debt Covenants

During the fiscal year ended January 31, 2022, the Corporation respected all covenants with its lenders, and still did at the date hereof. Management expects it will continue to respect its commitments during fiscal year 2023.

14.6 Contractual Obligations**Long-Term Debt**

Long-term debt, excluding interests and deferred financing costs, is detailed as follows:

(In thousands of dollars)	\$
Less than one year	3,382
2 to 3 years	3,927
4 to 5 years	3,333
And over	21,804
Total	32,446

Lease Liabilities

The lease liabilities excluding interest, are detailed as follows:

(In thousands of dollars)	\$
Less than one year	841
2 to 3 years	1,634
4 to 5 years	1,059
And over	1,079
Total	4,613

14.7 Commitments Related to Letters of Credit as at January 31, 2022

The Corporation held letters of credit, totalling US\$3.4 million as at January 31, 2022 and 2021, corresponding to \$4.3 million respectively for both fiscal years.

15. CAPITAL STOCK

Information on the outstanding shares:

	Subordinate Voting Shares		Multiple Voting Shares ⁽¹⁾		Total Outstanding Shares	
(In thousands of dollars, and in number of shares)	Number	\$	Number	\$	Number	\$
As at January 31, 2021 and 2022	18,292,099	52,119	14,343,107	16,001	32,635,206	68,120

(1) These shares carry 10 votes per share.

At the date hereof, the number of shares outstanding remained unchanged.

16. STOCK OPTION PLAN

The balance of stock options issued and outstanding was 5,000 options as at January 31, 2022 and 2021. These 5,000 options, which had a weighted average life of 0.36 year before maturity, had a weighted average exercise price of \$1.21 as at January 31, 2022.

17. SHARE-BASED COMPENSATION**17.1 Deferred Share Units ("DSU")****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 DSU, 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.

In addition, and independently to DSU that can be granted to external directors for the purposes of deferring their directors' compensation, the DSU plan also allows the Corporation's Board of Directors to award, at its discretion, DSU to any external director, executive officer and key employee. If it sees fit, the Board of Directors can attach conditions related to time and/or to the Corporation's performance to the vesting of these DSU.

When the Corporation pays dividends on subordinate and multiple voting shares, the accounts of the directors, Executive Officers and key employees (see paragraph b) below) are credited for the amount in the form of additional units using the same basis of calculation previously described.

The DSU are re-evaluated at fair 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 fiscal year ended January 31, 2022, DSU compensation to external directors recorded in the Consolidated Statement of Income amounted to an expense of \$0.2 million (a \$0.3 million expense during the fiscal year ended January 31, 2021), including the impact of the change in the market price of the Corporation's share.

The fluctuation in DSU for External Directors was as follows:

Fiscal Years Ended January 31,	2022	2021
(In number of deferred share units)	Number	Number
Outstanding, at the beginning of fiscal year	619,521	464,467
Granted	140,603	155,054
Distributed	(705,128)	—
Outstanding and vested, at the end of fiscal year	54,996	619,521

The carrying amount and the intrinsic value of the liabilities related to the external directors' vested DSU were immaterial as at January 31, 2022 (\$1.0 million as at January 31, 2021).

b) Executive Officers and Key Employees

As set forth in the DSU Plan, the Corporation may grant DSU, on a discretionary basis, Executive Officers and key employees. These DSU usually vest gradually over a 2 to 5-year period, at a rate of 20% to 50% per year. The vested DSU 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 progressively expensed as incurred over the vesting period and their costs is determined using a valuation model based on the market price of the Corporation's subordinate voting shares. The DSU are re-evaluated at the fair value at the end of each reporting period until the vesting date, using the market price of the Corporation's subordinate voting shares.

The DSU compensation for Executive Officers and key employees, recorded in the Consolidated Statement of Income during the fiscal years ended January 31, 2022 and 2021, amounted to an immaterial expense, including the impact of the change in the market price of the Corporation's share.

The fluctuation in DSU for the Executive Officers and key employees was as follows:

Fiscal Years Ended January 31,	2022	2021
(In number of deferred share units)	Number	Number
Outstanding, at the beginning of fiscal year	293,460	198,208
Granted	37,110	95,252
Outstanding, at the end of fiscal year	330,570	293,460
Vested, at the end of fiscal year	234,987	174,125

The carrying amount of the liabilities related to Executive Officers and key employees' DSU, amounting to \$0.5 million as at January 31, 2022 (\$0.4 million as at January 31, 2021), and of which \$0.4 million correspond to the intrinsic value of vested DSU as at January 31, 2022 (\$0.3 million as at January 31, 2021).

17.2 Performance Share Units Plan ("PSU")

As part of its long-term compensation plan, the Corporation may issue PSU to its Executive Officers and key employees. PSU are not convertible into shares of the Corporation and do not result in dilution for shareholders. The acquired PSU are only redeemable in cash by the Corporation upon the expiration of three (3) years after their grant (the "PSU Settlement Date"), subject to the achievement of financial targets. PSU tranches whose vesting conditions have not been met on the applicable vesting date are canceled, without compensation.

PSU also entitle holders to receive additional units each time dividends are paid on the Corporation's subordinate voting shares.

Compensation expense is recognized in the Consolidated Statement of Income over the vesting period and the counterpart is recognized in current liabilities in the Consolidated Statement of Financial Position. Changes in fair value between the grant date and the valuation date result in a change in liability and compensation expense.

The fair value of a PSU at any given date (for example, its grant date, vest date or PSU settlement date, etc.) is equal to the market value of the subordinate voting shares of the Corporation on that date, calculated using the average closing price subordinate voting shares of the Corporation on the Toronto Stock Exchange during the five (5) trading days immediately preceding that date.

During the fiscal year ended January 31, 2022, PSU compensation for Executive Officers and key employees amounted to an immaterial amount (a \$0.5 million expense for the fiscal year ended January 31, 2021) including the impact of the variation in the Corporation's share price.

Fluctuations in PSU for Executive Officers and key employees were as follows:

Fiscal Years Ended January 31,	2022	2021
(In number of performance share units)	Number	Number
Outstanding, at the beginning of fiscal year	346,248	211,373
Granted	93,549	134,875
Distributed	(122,053)	—
Outstanding, at the end of fiscal year	317,744	346,248
Vested, at the end of fiscal year	178,624	126,948

As at January 31, 2022, the carrying amount of the liabilities related the Executive Officers and key employees' PSU, amounted to \$0.4 million (\$0.5 million as at January 31, 2021), including an amount of \$0.3 million, which corresponds to the intrinsic value of the vested PSU as at January 31, 2022 (\$0.2 million as at January 31, 2021).

18. DIVIDENDS

During the fiscal year ended January 31, 2022, two semi-annual dividends of \$0.3 million each (or \$0.01 per share), were recognized as distribution to the Shareholders of Record of the Corporation as at April 30, 2021, and September 30, 2021, respectively, totalling \$0.7 million (or \$0.02 per share), of which \$0.4 million for Subordinate Voting Shares and \$0.3 million for Multiple Voting Shares. These sums were paid on May 17, 2021 and October 15, 2021, respectively.

During the fiscal year ended January 31, 2021, two semi-annual dividends of \$0.3 million each (or \$0.01 per share), were recognized as distribution to the Shareholders of Record of the Corporation as at April 30, 2020, and September 30, 2020, respectively, totalling \$0.7 million (or \$0.02 per share), of which \$0.4 million for Subordinate Voting Shares and \$0.3 million for Multiple Voting Shares. These sums were paid on May 15, 2020 and October 16, 2020, respectively.

19. ORDER BACKLOG ⁽¹⁾

ADF Group's order backlog totalled \$373.1 million on January 31, 2022, compared with \$436.2 million on the same date a year earlier. This variation is attributable to execution of contracts, net of new contracts and contractual changes.

As at January 31, 2022, 40% of the order backlog consisted of fabrication hours – the Corporation's core business and most value-added activity – compared with 34% on January 31, 2021. Most of the contracts in hand as at January 31, 2022, will progressively be executed by the end of the fiscal year ending January 31, 2024.

(1) The order backlog is a supplementary financial measure. Refer to the Section 10 "Non-GAAP Financial Measures and Other Financial Measures" of this MD&A Report, for the definition of this metric.

20. FINANCIAL POSITION

As at January 31, 2022, 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, 2022 and January 31, 2021.

Sections	Changes (In millions of dollars)	Explanatory Notes
Cash and cash equivalents, net of the variation in the credit facilities	(10.7)	See Section 14 "Cash Flow and Financial Position" hereinabove.
Accounts receivable	(20.6)	Decrease in billing, in line with the level of activity and progress of work schedules.
Contract assets, net of contract liabilities	30.7	Net difference between work progress and progressive revenue billing. The variation reflects the progress schedule.
Property, plant and equipment, intangible assets and right-of-use assets	20.6	Variation stemming from the impact of acquisition of property, plant and equipment and intangible assets (\$25.9 million) net of the foreign exchange rate (\$0.2 million) and of amortization (\$5.1 million).
Long-term debt and lease liabilities (including current portions)	11.1	Variation attributable to the issuance of new debt (\$30.0 million), net of repayment of long-term debts (\$17.9 million) and lease liabilities (\$1.0 million).

21. 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 sound financial position and currently respects all its financial covenants. It expects it will continue to do so during the next 12 months. While the previously mentioned investment program represents a larger investment, capital expenditures are closely monitored 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 31 "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 8 "COVID-19", 23 "External Factors to Which the Corporation's Performance is Exposed" and 31 "Outlook").

22. RELATED PARTY TRANSACTIONS

During the fiscal year ended January 31, 2022, certain advances were granted to executive-shareholders. These advances were fully reimbursed at the date hereof and no outstanding balances remained as at January 31, 2022.

Moreover, in the normal course of business, management agreements have been reached with companies held by a group of majority shareholders. These transactions are measured at the exchange value, which is the consideration established and accepted by the related parties:

Fiscal Years Ended January 31,			2022	2021
Company	Type	Transactions with ADF Group Inc.	(In \$)	(In \$)
Groupe JPMP Inc.	Executives	Three executives of ADF Group are compensated through this company for their work within the Corporation, as stipulated in their contracts of employment (see Section 10 "Executive Compensation" of the Management Information Circular for the 2022 fiscal year).	1,240,290	1,215,610
ADF Group Inc.	Executives	Other compensation paid directly to Executives.	778,351	241,114

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

23.1 Global Pandemic

A pandemic outbreak, as COVID-19 demonstrates, must now be considered in external factors that may influence ADF's performance. Although the type of pandemic or future variant is innumerable, and the impacts of these pandemics on the sector in which our Corporation operates can be multiple, the Corporation will now have to monitor this new risk. The measures taken by ADF to minimize the impacts of COVID-19 on all operations will serve as the basis for future years and will need to be adjusted, if necessary, according to the potential impacts of future pandemics.

23.2 Exchange Rate

The exchange rate fluctuation between the Canadian and U.S. dollars has an impact on the Corporation's results. Thus, a \$0.5 million foreign exchange loss was recorded for the fiscal year ended January 31, 2022, compared with a \$0.7 million foreign exchange loss for the 2021 fiscal year.

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

- Issuance of new debts in U.S. dollars;
- When advantageous, the raw material (steel) and welding products required for fabrication are purchased in U.S. dollars, and
- A foreign exchange policy to protect a portion of the net exchange risk between cash inflows and outflows denominated in U.S. dollars.

23.3 Operating Risks and Uncertainties

The following is a description of the Corporation's main operating risks and uncertainties:

a) **Uncertainties Relating to the World Economy**

The uncertainty related to the global economy could have a negative impact on the Corporation's business segment, i.e. the non-residential construction industry, particularly in North America, its primary market. At the date hereof, although the Corporation's order backlog will provide work for the next quarters, the uncertainty relating to the global economy could adversely affect the Corporation's revenues and profitability beyond that period (please also refer to Section 8 "COVID-19").

b) **Bonding Capacity and Irrevocable Letters of Credit**

During the fiscal year ended January 31, 2022, the Corporation maintained the necessary bid bonds and/or letters of credit to its business partners, required for bids, as well as in the scope of contractual commitments, or other financial instruments, such as performance, payment and supply bonds, or an irrevocable letter of credit.

c) **Operational Risks and Uncertainties That Could Have an Impact on the Corporation's Financial Position and Operating Results**

Normally, ADF's contracts are performed under contractual arrangements at firm prices. ADF has developed and applies rigorous risk assessment and management practices to reduce the nature and extent of the financial, technical and legal risks specific to each of these contractual agreements. ADF's continued commitment to strict risk management practices when undertaking and executing contracts includes the technical risks assessment, legal review of contracts, application of tight cost controls and scheduling of projects, regular review of projects' revenues, costs and cash flows, and implementation of agreements aimed at generating positive cash flows from projects and other provisions aimed at mitigating risks.

The following items could have an impact on the Corporation's future financial position and operating results:

- Economic conditions could exert pressure on the profit margins on new projects to be negotiated with clients and have an impact on the order backlog and the award of new contracts;
- Contractual changes overlapping two periods, that is, for which costs would have been recognized but no revenues recorded during a given period and no final settlement concluded with the client at the end of that period, could have an impact on the Corporation's results and cash flows in the following period, subsequent to the signing of this agreement;
- An increase in the price of steel might be a risk, although it would be mitigated by the sale price adjustment clauses concluded with clients and included in contracts;
- The risk associated with the fluctuations in interest rates is also mitigated by having a mix between fixed-rate and variable-rate debts, as well as available liquidities, when appropriate, that can generate financial revenues;
- Competition in the Corporation's business segment;
- Economic dependency related to the concentration of its client base; the Corporation strives to mitigate this risk through its development strategy of broadening its geographical and market sectors;
- The imposition by the United States, historically ADF's main market, of tariffs or other protectionist measures on imported processed steel;
- Fluctuations in the exchange rate between the Canadian and U.S. dollars. However, this risk is mitigated in part by the foreign currency hedge policy adopted by the Corporation's Executive Officers, and
- The nature of contracts in hand, depending on the type of client, can influence the delay of collection. When these contracts are funded by government agencies, it is possible that the collection period of contract receivables is not impacted upward. However, the risk related to the collection is minimal given that these sums are actually guaranteed by government agencies. When these same contracts are funded by non-governmental organizations, Management believes that the vast majority of these accounts are not doubtful accounts since that they are with well-established companies.

24. **FINANCIAL INSTRUMENTS**

A significant number of items in the Corporation's Statement of Financial Position include financial instruments. The Corporation's financial assets consist of cash, cash equivalents, accounts receivable, contract assets, as well as derivative financial instruments, whose fair market value is positive. Financial liabilities include credit facilities, accounts payable and other current liabilities, contract liabilities, long-term debt and derivative financial instruments, whose fair market value is negative.

As at January 31, 2022 and 2021, 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, accounts receivable, contract assets and liabilities, credit facilities, 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 (excluding lease liabilities) or since they are re-evaluated at their fair value at the end of every period (in the case of derivative financial instruments) (see Note 25 "Financial Instruments" in the Consolidated Financial Statements for the fiscal year ended January 31, 2022).

Derivative financial instruments are typically used to manage the Corporation's foreign exchange and interest rate risk exposure. They are generally comprised of foreign exchange forward contracts and an interest rate swap, where appropriate.

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 Report, as well as in Note 24 "Financial Risk Management" in the Consolidated Financial Statements for the fiscal year ended January 31, 2022.

25. 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 at January 31, 2022, 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 January 31, 2022, no changes were made to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal controls and procedures.

26. DISCLOSURE AND INSIDER TRADING POLICIES

In accordance with its internal policies and guidelines, the Corporation diligently reports all relevant financial information. In addition, when the Corporation publishes its financial results or announces major contract awards or any other material information, it enforces a blackout period for its directors and managers, as well as for its personnel who wishes to trade on ADF Group's securities, in order to ensure compliance and transparency of any trading by persons regarded as insiders. With regard to the employees, this blackout period can, under the circumstances, be either enforced for all the Corporation's employees or limited to a more restricted number of employees according to their knowledge of privilege information concerning the event to be disclosed.

27. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The summary of ADF's significant accounting policies is described in Note 2 "Summary of Significant Accounting Policies" of the notes to consolidated financial statements for the fiscal year ended January 31, 2022.

The preparation of financial statements in accordance with IFRS requires Management to make judgements in the application of accounting policies used and to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods. Because financial reporting involves accounting judgements and entails the use of estimates, actual results could differ from those estimates. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is recognized immediately.

The significant accounting judgements and estimates used by the Corporation to prepare the financial statements are:

27.1 Revenue Recognition

The identification of revenue-generating contracts with customers, the identification of performance obligations, the determination of the transaction price and its allocation between identified performance obligations, the use of the appropriate revenue recognition method (over time or at a specific point in time) for each performance obligation and the measure of progress for performance obligation satisfied over time are the main aspects of the revenue recognition process, all of which require judgment and the use of assumptions.

The transaction price corresponds to the amount of consideration to which the Corporation expects to be entitled in exchange for transferring promised goods or services to a customer. Such amount may require the Corporation to estimate an amount of a variable consideration, notably from estimated volume of work, claims and unpriced change orders, incentives or penalties, among others. Furthermore, the Corporation needs to constrain the transaction price by including only the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of variable consideration to be included in the transaction price of a given contract is determined by using various estimates and assumptions, which could be based on historical experience with the same customer or other similar contracts, third-party assessments, legal interpretation of relevant contractual clauses and probabilistic methodologies, among others. Due to the uncertain nature of the estimations, the amount of a variable consideration may vary significantly over time. Such estimated amount of a variable consideration then needs to be updated at the end of each reporting period.

The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors. A change in any of those factors could affect revenues recognition.

27.2 Assessment and Amortization of Long-Lived Assets

Management reviews the useful lives of its amortizable assets at each reporting date. The carrying amounts are analyzed at the end of each fiscal year. Actual results could however differ because of technical obsolescence, particularly with regard to hardware and software.

27.3 Significant Judgment in Determining the Lease Term of Contracts

The Corporation determines the lease term as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Corporation applies judgment in assessing whether it is reasonably certain to exercise its options to extend its leases or to not exercise its options to terminate its leases, by considering all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the Corporation's control.

27.4 Income Taxes

The Corporation calculates the income tax expense for each jurisdiction where it operates. However, the actual income tax amounts become definitive only upon the filing of income tax returns and acceptance thereof by the competent authorities, which occur after the financial statements are published.

Judgements must periodically be made to determine if deferred income tax assets must be recognized in the Consolidated Statement of Financial Position. Deferred income tax assets, including unused tax losses, require Management to assess whether the Corporation will generate taxable income in subsequent periods, in order to use deferred income tax assets. Once the assessment is done, if the Corporation believes that it is likely that a portion of its deferred income tax assets will not be realized, the deferred income tax asset is derecognized. The estimate of future taxable income is based on cash flow from operations forecasts and applicable tax laws in effect in each jurisdiction. Should future cash flows and taxable profit differ materially from these estimates, it could have an impact on the Corporation's ability to realize the net deferred income tax assets at the reporting date of the financial position.

27.5 Impairment of Non-Financial Assets

ADF's Management makes judgments in assessing whether changes to certain factors would be considered an indicator of impairment, which include both internal and external factors such as:

- changes in signed backlog,
- changes in adjusted EBITDA margin,
- changes in EBITDA multiples of comparable companies, and
- the Corporation's market capitalization compared to its net assets.

An impairment loss is recognized, if any, for the amount by which an assets or CGUs (cash-generating units) carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

For the purpose of assessing the potential impairment of the Corporation's non-financial assets, management would use the fair value less costs of disposal model to estimate the fair value based on earnings before interest depreciation and amortization (EBITDA) multiple approach. The significant assumptions, which affect the financial analysis include revenues, operating costs and margins, foreign exchange rates and comparable companies EBITDA multiple. These estimates are subject to certain risks and uncertainties that may affect the determination of the recoverability of the Corporation's non-financial assets.

As at January 31, 2022 and 2021, the management of the Corporation has determined that there is no indicator of impairment and therefore no impairment test has been performed.

28. ENVIRONNEMENT

ADF's operations are subject to various laws and regulations adopted by federal, provincial, state and local governments pertaining to environmental protection.

The Corporation's Terrebonne and Great Falls facilities were built on vacant lands. The operations that could have a potential impact on the environment are welding, which generates smoke, and equipment maintenance, which generates waste oil, and industrial coating, which generate fumes and vapours. ADF has installed appropriate pollution control equipment in order to comply with the existing laws and regulations and ensures to perform in the normal course of business, the investments required to meet the highest standards.

Waste oil is recuperated by specialized firms. The Corporation has the necessary environmental certificates of authorization for its facilities and for all expansion phases subsequently carried out.

Moreover, as part of the construction of its new paint shop in Terrebonne, the Corporation updated its environmental certificate of authorization for all its operations located in Terrebonne, including its fabrication plant. Following these investments, ADF Group's facilities in Terrebonne meet the highest environmental standards. More recently, during the fiscal year ended January 31, 2022, as part of the new financing that the Corporation obtained (see Section 14.3 "Financing Activities"), the Corporation conducted phase I and phase II environmental assessments at its Terrebonne, Quebec site, which did not identify any deficiencies or contaminants requiring corrective action in accordance with applicable environmental standards.

For the fiscal years ended January 31, 2022 and 2021, and taking into account the preceding paragraph, the requirements with regard to environmental protection did not have a significant financial or operational impact on the Corporation's capital expenditures, net income and competitive position. The Corporation does not expect to incur any costs outside the normal course of business to comply with environmental requirements.

29. HUMAN RESOURCES

As at January 31, 2022, the Corporation employed a total of 579 people across its head office, fabrication complex and paint shop in Terrebonne, Quebec, Canada, and its office, fabrication plant and paint shop in Great Falls, Montana, U.S.A., and as well as the sales office and various construction sites in United States.

30. SUBSEQUENT EVENTS

30.1 Dividend

On April 11, 2022, the Corporation's Board of Directors approved a semi-annual dividend of \$0.01 per share payable on May 17, 2022, to Shareholders of Record as at April 29, 2022.

30.2 New Financing

On January 14, 2022 and January 18, 2022, the Corporation obtained from *Investissement Québec* (IQ) two bank loans totaling \$20.0 million to finance its modernization and robotization program at its Terrebonne plant, and are detailed as follows:

- The first of these two bank loans, which will total \$12.3 million, will bear interest at IQ's annual prime rate plus 1.5% and will benefit from a 24-month capital repayment moratorium at the end of which it will be repayable by 96 capital payments of \$128,125 starting in March 2024 and ending in February 2032.
- The second of these two bank loans, which will total \$7.7 million, is interest-free and will benefit from a 36-month capital repayment moratorium, at the end of which it will be repayable by 83 capital installments of \$91,667 beginning in March 2025 to end with a final capital payment of \$91,639 in February 2032.

The disbursements of these bank loans will take place gradually during the implementation of this investment program. These two loans will be guaranteed by a first rank movable hypothec in the amount total of \$24.0 million on the universality of machinery and equipment, present and future. They will also be subject to compliance with certain financial ratios. As at April 11, 2022, the Corporation has drawn \$15.0 million on these bank loans.

31. OUTLOOK

As mentioned in the last quarterly MD&A reports, the fiscal year ended January 31, 2022, was impacted by projects generating lower margins than normally achieved by ADF, but whose large volume of steel fabricated and erected still provided adequate dollars. Now that these projects are nearing completion, and as we see from the improved margins for the quarter ended January 31, 2022, margins, as a percentage of revenues, will return to more typical levels for our Corporation.

We added new contracts totalling \$50.0 million at the very beginning of the quarter ended October 31, 2021 and announced new contracts worth a total of \$100.0 million at year-end, which allowed us to close fiscal 2022 with an order backlog ⁽¹⁾ of \$373.1 million. The pipeline of projects currently under negotiation is encouraging and we have now entered into the final negotiations on several projects for which we bid.

The investment program, which was launched at the beginning of the fiscal year ended January 31, 2022, to equip ADF's Terrebonne fabrication plant with a brand new robotic production line, the only one of its kind in North America, as well as new programmable and automated equipment, is progressing as planned. We plan to inaugurate this new robotic line in June 2022, and also plan to create new jobs related to the new robotization. This \$30.0 million investment program will be completed in the coming quarters.

In this regard, and as explained in more detail in Section 14.3 "Financing Activities" of this MD&A Report, we have also finalized new financing agreements to support this investment program.

The foundation is therefore in place for ADF to continue its development. Markets served by ADF that are growing, capital investments that will allow ADF to differentiate from competition, and continue to improve its operational processes, as well as the financing required to support these investments and the growth, and execution of the order backlog.

(1) The order backlog is a supplementary financial measure. Refer to the Section 10 "Non-GAAP Financial Measures and Other Financial Measures" of this MD&A Report, for the definition of this metric.

32. ADDITIONAL INFORMATION

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.

Mr. Jean-Francois Boursier, CPA, CA

Ms. Marise Paschini

/ Signed /

/ Signed /

Chief Financial Officer

Executive Vice-President, Treasurer and Corporate secretary

Terrebonne, Quebec, Canada, April 11, 2022

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MANAGEMENT'S REPORT

To Our Shareholders

ADF Group Inc.'s (the "Corporation") consolidated financial statements and Management's Discussion and Analysis ("MD&A Report") and all other information in the Annual Report, are the responsibility of the Corporation's Management and have been approved by its Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The MD&A Report has been prepared in accordance with the requirements of Canadian securities regulators. The consolidated financial statements and MD&A Report include items that are based on Management's best estimates and judgments. Financial information provided elsewhere in the Annual Report is consistent with that shown in the consolidated financial statements.

Management maintains accounting and internal control systems that are designed to provide reasonable assurance that financial information is reliable and assets are safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for the financial reporting and ultimately responsible for reviewing and approving the consolidated financial statements and MD&A Report. The Board of Directors carries out this responsibility principally through its Audit Committee, consisting of independent directors. The Audit Committee reviews the Corporation's consolidated financial statements and MD&A Report and formulates the appropriate recommendations to the Board of Directors. The independent auditor appointed by the shareholders has full access to the Audit Committee, with or without Management being present.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, independent auditor, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. The independent auditor's report, hereafter, outlines the scope of its audits and set forth its opinion on the consolidated financial statements.

Jean Paschini

Jean-François Boursier, CPA, CA

/ Signed /

/ Signed /

Chairman of the Board of Directors and Chief Executive Officer

Chief Financial Officer



Independent auditor's report

To the Shareholders of ADF Group Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ADF Group Inc. and its subsidiaries (together, the Corporation) as at January 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at January 31, 2022 and 2021;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – total anticipated costs on cost-plus contracts with ceilings and on fixed-price contracts <i>Refer to note 2 – Summary of significant accounting policies and note 3 – Estimation uncertainty and critical accounting judgements to the consolidated financial statements.</i> For the year ended January 31, 2022, revenue from cost-plus contracts with ceilings and from fixed-price contracts makes up a significant portion of the Corporation's total revenues of \$280.7 million. Revenue from contracts with customers is recognized, for each performance obligation, either over a period of time or at a specific point in time, depending on which method reflects the transfer of control of the goods or services underlying the performance obligation to the customer. For performance obligations satisfied over time, such as for cost-plus and fixed-price contracts, the Corporation recognizes revenue over time using an input method, based on costs incurred to date relative to total anticipated costs at completion, to measure progress toward satisfying such performance obligations. Under this method, costs that do not contribute to the performance of the Corporation in transferring control of goods or services to the customer are excluded from the measurement of progress toward satisfying the performance obligation. In any event, when the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the total anticipated costs for a sample of contracts, which included evaluation of the reasonableness of the costs to complete the contract, as follows: – Obtained and read contract agreements, and change orders when applicable, to understand contract scope and key terms; – Evaluated the timely identification by management of circumstances that may warrant a modification to the total anticipated costs including, but not limited to, contracts subject to claims and contract modifications; – Interviewed operational personnel of the Corporation to evaluate progress to date, the total anticipated costs to be incurred, and factors impacting the amount of time and cost to complete the contract and considered consistency with supporting documents; – Compared the original margin expected on the contract to the actual margin to date; and



Key audit matter

The determination of total anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors, such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors. A change in any of those factors could affect revenue recognition.

We considered this a key audit matter due to the significant judgments made by management when estimating anticipated costs. This in turn led to significant auditor judgments and audit effort in performing procedures to evaluate the total anticipated costs, including the assessment of management's judgments about its ability to estimate costs required to complete the contract.

How our audit addressed the key audit matter

- Compared the costs incurred and the anticipated costs to complete to the original total anticipated costs.
- Tested on a sample basis the costs incurred to supporting documents.
- Compared the original total anticipated costs to the total costs incurred for contracts completed during the year.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jean-François Lecours.

/s/PricewaterhouseCoopers LLP¹

Montréal, Quebec
April 11, 2022

¹ CPA auditor, CA, public accountancy permit No. A126402

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at January 31,	2022	2021
(In thousands of Canadian dollars)	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	7,130	17,806
Accounts receivable (Note 5)	40,424	61,019
Current income tax assets	1,548	834
Contract assets (Note 14)	29,998	8,790
Inventories (Note 6)	9,690	6,960
Prepaid expenses and other current assets	2,312	5,187
Total current assets	91,102	100,596
Non-current assets		
Property, plant and equipment (Note 7)	83,629	62,223
Right-of-use assets (Note 8)	21,587	22,478
Intangible assets (Note 9)	3,357	3,266
Other non-current assets	1,375	1,388
Total assets	201,050	189,951
LIABILITIES		
Current liabilities		
Accounts payable and other current liabilities (Note 11)	34,421	34,562
Current income tax liabilities	—	1,161
Contract liabilities (Note 14)	13,770	23,278
Current portion of lease liabilities (Note 8)	841	1,143
Current portion of long-term debt (Note 12)	3,357	1,904
Total current liabilities	52,389	62,048
Non-current liabilities		
Long-term debt (Note 12)	28,702	18,368
Lease liabilities (Note 8)	3,772	4,166
Deferred income tax liabilities (Note 19)	7,571	5,627
Other non-current liabilities	166	177
Total liabilities	92,600	90,386
SHAREHOLDERS' EQUITY		
Capital stock (Note 13)	68,120	68,120
Contributed surplus	6,435	6,435
Accumulated other comprehensive income	5,861	5,886
Retained income	28,034	19,124
Total shareholders' equity	108,450	99,565
Total liabilities and shareholders' equity	201,050	189,951

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

ON BEHALF OF THE BOARD OF DIRECTORS,

Director

Director

/ Signed /

/ Signed /

Jean Paschini

Guy Pelletier, CPA, CA, ASC

CONSOLIDATED STATEMENTS OF INCOME

Fiscal Years Ended January 31,	2022	2021
(In thousands of Canadian dollars, except the number of shares and the amounts per share)	\$	\$
Revenues (Notes 14 and 26)	280,740	172,593
Cost of goods sold (Note 15)	256,046	146,388
Gross Margin	24,694	26,205
Selling and administrative expenses (Note 15)	11,989	14,779
Net financial expenses (Note 18)	1,174	1,663
Foreign exchange loss	472	744
	13,635	17,186
Income before income tax expense	11,059	9,019
Income tax expense (Note 19)	1,496	2,152
Net income for the fiscal year	9,563	6,867
Earnings per share		
— Basic and diluted per share (Note 20)	0.29	0.21
Average number of outstanding basic and diluted shares (in thousands) (Note 20)	32,635	32,635

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Fiscal Years Ended January 31,	2022	2021
(In thousands of Canadian dollars)	\$	\$
Net income for the fiscal year	9,563	6,867
Other comprehensive income (loss):		
Exchange differences on translation of foreign operations ^(a)	(25)	(1,056)
Comprehensive income for the fiscal year	9,538	5,811

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

	Capital Stock (Note 13)	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Income	Total
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$
Balance, February 1, 2020	68,120	6,435	6,942	12,910	94,407
Net income for the fiscal year	—	—	—	6,867	6,867
Other comprehensive income (loss)	—	—	(1,056)	—	(1,056)
Comprehensive income (loss) for the fiscal year	—	—	(1,056)	6,867	5,811
Dividends	—	—	—	(653)	(653)
Balance, January 31, 2021	68,120	6,435	5,886	19,124	99,565

	Capital Stock (Note 13)	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Income	Total
(In thousands of Canadian dollars)	\$	\$	\$	\$	\$
Balance, February 1, 2021	68,120	6,435	5,886	19,124	99,565
Net income for the fiscal year	—	—	—	9,563	9,563
Other comprehensive income (loss)	—	—	(25)	—	(25)
Comprehensive income (loss) for the fiscal year	—	—	(25)	9,563	9,538
Dividends	—	—	—	(653)	(653)
Balance, January 31, 2022	68,120	6,435	5,861	28,034	108,450

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended January 31,	2022	2021
(In thousands of Canadian dollars)	\$	\$
OPERATING ACTIVITIES		
Net income for the fiscal year	9,563	6,867
Non-cash items:		
Amortization of property, plant and equipment (Note 7)	3,543	3,465
Amortization of right-of-use assets (Note 8)	1,013	1,001
Amortization of intangible assets (Note 9)	498	449
Gain on disposal of property, plant and equipment	(2,111)	—
Unrealized loss (gain) on derivative financial instruments	513	(640)
Unrealized foreign exchange loss	705	359
Share-based compensation (Note 13)	361	998
Income tax expense	1,496	2,152
Government grants	—	(6,158)
Net financial expenses (Note 18)	1,174	1,663
Others	(148)	49
Net income adjusted for non-cash items	16,607	10,205
Change in non-cash working capital items (Note 21)	(12,511)	18,637
Income tax paid	(1,427)	—
Cash flows from operating activities	2,669	28,842
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (Note 7)	(21,477)	(1,460)
Acquisition of intangible assets (Note 9)	(589)	(361)
Others	77	68
Cash flows used in investing activities	(21,989)	(1,753)
FINANCING ACTIVITIES		
Variation in credit facilities (Note 21)	—	(13,105)
Issuance of long-term debt (Notes 12 et 21)	30,000	5,654
Repayment of long-term debt (Note 21)	(17,878)	(1,918)
Payment of lease liabilities (Note 21)	(963)	(961)
Dividends paid	(653)	(653)
Interest paid	(988)	(1,460)
Others	(316)	—
Cash flows from (used in) financing activities	9,202	(12,443)
Impact of fluctuations in foreign exchange rate on cash flow	(558)	(823)
Net change in cash and cash equivalents during the fiscal year	(10,676)	13,823
Cash, and cash equivalents, beginning of fiscal year	17,806	3,983
Cash and cash equivalents, end of fiscal year	7,130	17,806

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Years Ended January 31, 2022 and 2021

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 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 industry: office towers and high-rises, commercial and recreational buildings, airport facilities, industrial complexes, and transport infrastructure.

The consolidated financial statements were approved by the Corporation's Board of Directors on April 11, 2022 and were signed on its behalf.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are summarized below. These policies have been consistently applied to all the periods presented, except as otherwise stated.

2.1 Basis of Assessment

The consolidated financial statements are established in accordance with the International Financial Reporting Standards ("IFRS"), issued by the *International Accounting Standards Board* ("IASB"), and have been prepared under the historical cost convention, except for the evaluation of certain financial instruments, which are measured at their fair value, as described in the accounting policies hereinafter. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.2 Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Subsidiaries are entities which the Corporation controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are de-consolidated from the date that control ceases. Inter-company transactions and balances have been eliminated.

As at January 31, 2022 and 2021, the percentage of ownership held directly or indirectly by the Corporation in its subsidiaries was 100%. These subsidiaries are all incorporated in the United States, and are summarized as follows:

Subsidiaries	Activity Sectors
ADF Group USA Inc.	Holding
ADF Industrial Coating Inc.	Sales and surface treatment
ADF International Inc.	Sales, fabrication and steel erecting services
ADF Steel Corp.	Sales and other services
ADF Structural Steel Inc.	Sales, fabrication, steel erecting and engineering services

2.3 Foreign Currency Translation

2.3.1 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 US dollar for its U.S. entities. The consolidated financial statements are presented in Canadian dollars, which is the Corporation's reporting currency.

The financial statements of entities whose functional currency differs from that of the Corporation (foreign operations) are translated into Canadian dollars as follows:

- Assets and liabilities – at the closing rate at the date of the statement of financial position, and
- Revenues and expenses – at the average rate of the monthly period (considered a reasonable approximation to the actual rates in effect at the date of transactions).

All resulting changes are recognized in other comprehensive income (loss) as exchange differences on translation of foreign operations.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the accumulated exchange differences in other comprehensive income (loss) related to the foreign operation are recognized in net income.

2.3.2 Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Translation differences resulting from the settlement of foreign currency transactions and from the translation at the exchange rates effective at the reporting date of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in "Foreign Exchange Loss (Gain)" in the Consolidated Statement of Income.

2.4 Revenue Recognition

Revenue from contracts with customers is recognized, for each performance obligation, either over a period of time or at a specific point in time, depending on which method reflects the transfer of control of the goods or services underlying the performance obligation to the customer.

In most cases, for performance obligations satisfied over time, such as cost-plus and fixed price contracts, the Corporation recognizes revenue over time using an input method, based on costs incurred to date relative to total estimated costs at completion, to measure progress toward satisfying such performance obligations. Under this method, costs that do not contribute to the performance of the Corporation in transferring control of goods or services to the customer are excluded from the measurement of progress toward satisfying the performance obligation. For certain contracts, notably certain cost-plus contracts or unit-rate contracts, the Corporation recognizes revenue based on its right to consideration when such amount corresponds directly with the value to the customer of the entity's performance completed to date. In certain other situations, the Corporation might recognize revenue at a point in time, when the criteria to recognize revenue over time are not met. In any event, when the total anticipated costs exceed the total anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.

The amount of revenue recognized by the Corporation is based on the transaction price allocated to each performance obligation. Such transaction price corresponds to the amount of consideration to which the Corporation expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price includes, among other things and when applicable, an estimate of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is usually derived from incentives, performance bonuses and penalties, and could include claims and unpriced change orders. When a contract includes a significant financing component, the value of such component is excluded from the transaction price and is recognized separately as financial revenue or expense, as applicable.

The Corporation may enter into contractual arrangements with a client to deliver services on one project which span more than one performance obligation, such as particularly in the context of the Corporation's activities. When entering into such arrangements, the Corporation allocates the transaction price by reference to the stand-alone selling price of each performance obligation. Accordingly, when such arrangements exist on the same project, the value of each performance obligation is based on its stand-alone selling price and recognized according to the respective revenue recognition methods described above.

The Corporation accounts for a contract modification, which consists of a change in the scope or price (or both) of a contract, as a separate contract when the remaining goods or services to be delivered after the modification are distinct from those delivered prior to the modification and the price of the contract increases by an amount of consideration that reflects the Corporation's stand-alone selling price of the additional promised good or services. When the contract modification is not accounted for as a separate contract, the Corporation recognizes an adjustment to revenue on a cumulative catch-up basis at the date of contract modification.

The Corporation may apply its revenue recognition accounting policy to a portfolio of contracts or performance obligations with similar characteristics if the effect on its financial statements of applying such policy to the portfolio is not reasonably expected to differ materially from applying its policy to the individual contracts or performance obligations within that portfolio.

Contract related balances include contract assets and liabilities presented separately in the consolidated statements of financial position.

- Contract assets are recognized when goods or services are transferred to customers before consideration is received or before the Corporation has an unconditional right to payment for performance completed to date. Contract assets are subsequently transferred to the accounts receivable when the right of payment becomes unconditional. Contract assets comprise cost incurred and recorded margins in excess of advances and progress billings on contracts.
- Contract liabilities are recognized when amounts are received or to be received from customers in advance of transfer of goods or services. Contract liabilities are subsequently recognized in revenue as or when the Corporation performs under contracts. Contract liabilities include advances and progress billings in excess of costs incurred and recorded margin on contracts.

A net position of contract asset or contract liability is determined for each contract. The cash flows in respect of advances and progress billings, including amounts received from third parties, are classified as cash flows from operating activities.

2.5 Cash and Cash Equivalents

The cash and cash equivalents items include cash on hand, the bank overdraft and short-term investments, the case may be, with maturities at the time of acquisition generally not exceeding three (3) months or redeemable at any time at full value and for which the risk of change in value is not significant. Bank overdrafts are presented as current liabilities, where applicable.

2.6 Inventories

Inventories, predominantly raw material (steel), are valued at the lower of cost or net realizable value. The cost is determined using the specific cost method. The net realizable value is the estimated selling price less the estimated costs required to realize the sale. An impairment is recognized if the carrying amount exceeds the net recoverable value. The impairment amount may be reversed during a subsequent period when circumstances justifying that impairment no longer exist.

2.7 Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost, less accumulated amortization and accumulated impairment. The cost includes expenses that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, where appropriate, only when it is likely that future economic benefits associated with the item will flow to the Corporation and the cost of this asset can be measured reliably. Costs of maintenance and repair are recorded as expenses in the consolidated statement of income in the period in which they are incurred.

The main property, plant and equipment categories are amortized using the straight-line method, which allocates the costs of depreciable assets over the estimated useful life of a component, as follows:

- Buildings and improvement to lands over periods varying from 15 to 110 years;
- Equipment and overhead cranes over periods varying from 2 to 30 years, and
- Office furniture, rolling stock and computer hardware over periods varying from 3 to 30 years.

The Corporation allocates the initially recognized amount of property, plant and equipment to its significant components and depreciates each component separately. The carrying amount of a replaced component is derecognized upon replacement. The residual value, amortization method and useful life of property, plant and equipment are reviewed every year and adjusted as required.

2.8 Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as financial expenses in the consolidated statement of income in the period in which they are incurred.

2.9 Intangible Assets and Amortization

Identifiable intangible assets, which are mainly made up of software with a determined useful life are recognized at cost and amortized at fixed rates based on their estimated useful life that is, based on the straight-line method on a 3 to 24-year period.

The amortization method and useful life of intangible assets are reviewed every year and adjusted as required.

2.10 Impairment of Non-Financial Assets

Non-financial assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, being the present value of the expected future cash flows of the relevant asset or CGU.

The impairment losses, as well as profits and losses resulting from the disposal of non-financial assets, are included in the Consolidated Statement of Income. The Corporation evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

2.11 Lease Agreements

The Corporation leases various office space, equipment, office furniture, rolling stock and computer hardware. Lease agreements are typically made for fixed periods of 2 to 6 years and may be subject to extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The accounting policies related to the lease agreements are described below.

- At inception, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Leases are recognized as a right-of-use asset and a corresponding lease liability at the commencement date of the lease, i.e. the date the underlying asset is available for use. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is amortized over the shorter of the asset's useful life or the lease term on a straight-line basis except for lease agreements that have the effect, at the end of their term, of transferring ownership to the Corporation the property of the underlying good. In these cases, the Corporation amortize the right-of-use assets until the end of the useful life. Right-of-use assets are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.
- The lease liability is measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be

exercised by the Corporation or payment of penalties for termination of a lease. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Consolidated Statement of Income.

- After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced to reflect lease payments made. In addition, the carrying amount of lease liabilities is revaluated when there is a change in future lease payments arising from a change in an index or specified rate, if there is a modification to the lease terms and conditions, a change in the estimate of the amount expected to be payable under residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a termination, extension or purchase option. The revaluation amount of the lease liabilities is recognized as an adjustment to the right-of-use asset, or in the Consolidated Statement of Income when the carrying amount of the right-of-use asset is reduced to zero.

2.12 Income Tax

Income tax expense includes current and deferred income tax expenses. Income tax is recognized in the Consolidated Statement of Income except to the extent that it relates to items recognized directly in other comprehensive income (loss) or in shareholders' equity, in which case, the income tax is also recognized directly in other comprehensive income (loss) or in shareholders' equity.

Current tax is the expected income tax payable on the taxable income for the fiscal year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous fiscal years.

In general, deferred income tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the closing date and are expected to apply when the deferred income tax asset or liability is settled. A deferred income tax asset is recognized to the extent that it is likely that the asset can be recovered.

Deferred income tax assets and liabilities are recognized on temporary differences arising on investments in subsidiaries, unless the timing of the reversal of the temporary difference is controlled by the Corporation and it is likely that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities in the Consolidated Statement of Financial Position. They are offset only when the Corporation has a right and the intention to offset these tax assets and liabilities from the same tax authority.

2.13 Tax Credits and Government Grants

In the course of its business, the Corporation may receive government grants, which are accounted for in accordance with IAS 20, *Accounting for Government Grants*, and recorded against the expenses or in reduction of the related capital assets. The Corporation also benefits from tax credits derived from investments, jobs creation, labor force training and scientific research and experimental development ("SR&ED") activities. These tax credits are also recorded using the cost reduction method, under which the tax credits related to eligible expenditures, capitalized or expensed, as long as their realization is reasonably assured, are recognized in reduction of the related costs during the period in which they are incurred.

Tax credits and government grants receivable are discounted when the effect of the time value of money is material.

2.14 Share-Based Compensation and Other Share-Based Payments

The Corporation awards stock options to certain of its employees and external directors. These options vest equally over a period of up to five-year and all options have 10-years life from the grant date. Each tranche is considered as a separate award with its own vesting period and its own fair value at the grant date. The fair value of each tranche is measured using the Black-Scholes valuation model at the date of the grant. The compensation expense is recognized over the tranche's vesting period of the options, and increases contributed surplus. The number of options expected to vest is revised at least once a year, and changes in estimates are immediately charged to compensation expense, with a corresponding amount recognized as a contributed surplus adjustment.

2.15 Deferred Share Units ("DSU")

The DSU Plan allows every external director, who elects to participate, to defer in whole or in part his director's compensation (including annual and attendance fees), by choosing to receive a percentage of this compensation in the form of DSU, 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 an external director elects to participate in this plan, the Corporation credits the director's account for a number of units equal to the deferred compensation, divided by the market value of the Corporation's subordinate voting shares calculated using the average closing price of the five (5) trading days preceding the date of award. DSU are not convertible into shares of the Corporation and do not result in a dilution to shareholders.

In addition, and independently to DSU that can be granted to external directors for the purposes of deferring their directors' compensation, the DSU Plan also allows the Corporation's Board of Directors to grant, at its discretion, DSU to any external director, executive officer and key employee. If it sees fit, the Board of Directors can attach conditions related to time and/or to the Corporation's performance to the vesting of these DSU. In the event a condition is attached to a DSU, every unvested DSU at the date of repurchase will be cancelled without consideration. However, in the event of a change of control, unvested DSU will be considered vested, immediately prior to the occurrence of this change of control.

These DSU usually vest gradually over a 2 to 5-year period, at a rate of 20% to 50% per year. The vested DSU 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.

When the Corporation pays dividends on subordinate 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 calculation method previously described.

For each DSU awarded and changes in the fair value, the Corporation recognizes a compensation expense with the counterpart entry in "Accounts Payable and Other Current Liabilities" of the Consolidated Statement of Financial Position.

2.16 Performance Share Units Plan ("PSU")

As part of its long-term compensation plan, the Corporation may issue PSU to its Executive Officers and key employees. PSU are not convertible into shares of the Corporation and do not result in dilution for shareholders. The acquired PSU are only redeemable in cash by the Corporation upon the expiration of three (3) years after their grant (the "PSU Settlement Date"), subject to the achievement of financial targets. PSU tranches whose vesting conditions have not been met on the applicable vesting date are canceled, without compensation.

PSU also entitle holders to receive additional units each time dividends are paid on the Corporation's subordinate voting shares.

Compensation expense is recognized in the Consolidated Statement of Income over the vesting period and the counterpart is recognized in current liabilities in the Consolidated Statement of Financial Position. Changes in fair value between the grant date and the valuation date result in a change in liability and compensation expense.

The fair value of a PSU at any given date (for example, its grant date, vest date or PSU settlement date, etc.) is equal to the market value of the subordinate voting shares of the Corporation on that date, calculated using the average closing price subordinate voting shares of the Corporation on the Toronto Stock Exchange during the five (5) trading days immediately preceding that date.

2.17 Earnings Per Share

Basic earnings per share are based using the weighted average number of voting shares issued and outstanding and is obtained by dividing net income by the weighted average number of outstanding shares during the period. Diluted earnings per share are obtained by dividing basic net income by the sum of the weighted average number of voting shares used to calculate basic earnings per share and the weighted average number of voting shares that would be issued if all of the potentially dilutive outstanding voting shares were converted using the treasury stock method for stock options.

2.18 Financial Instruments

Financial instruments are recognized in the consolidated statement of financial position when the Corporation becomes a party to the contractual obligations of the instrument.

a) Classification

The Corporation determines the classification of financial instruments at initial recognition and classifies its financial instruments in the following measurement categories:

- Those to be measured subsequently at fair value, either through net income ("FVTPL") or through other comprehensive income (loss) ("FVOCI"), or
- Those to be measured at amortized cost.

The classification of debt instruments held is driven by the Corporation's business model for managing the financial assets and their contractual cash flow characteristics. Assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Equity instruments that are held for trading and all derivative instruments are classified as FVTPL. For other equity instruments, on the day of acquisition, the Corporation may irrevocably elect (on an instrument-by-instrument basis) to classify them at FVOCI whereby subsequent gains and losses will never be reclassified to net income. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Corporation was eligible and elected to measure them at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

b) Measurement

— Financial Instruments at Amortized Cost

Financial instruments at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment. The transaction costs are capitalized to the costs of financial assets and liabilities. Therefore, the transaction costs applied to the long-term debt are classified against the long-term debt and amortized using the effective interest method.

Currently, the Corporation classifies cash and cash equivalents and accounts receivable as financial assets measured at amortized cost and credit facilities, accounts payable and other current liabilities and long-term debt as financial liabilities measured at amortized cost.

— **Financial Instruments at Fair Value**

Financial instruments are initially recorded at fair value and are remeasured at each reporting date with any change thereto recognized as a gain or loss in the Consolidated Statement of Income. The transaction costs are expensed in the consolidated statements of income. When the Corporation has elected to classify a financial liability at FVTPL, any changes associated with the Corporation's own credit risk will be recognized in Other Comprehensive Income (Loss).

Currently, the Corporation's derivative financial instruments are classified at FVTPL.

c) **Impairment**

The Corporation prospectively assesses the expected credit losses associated with debt instruments and contract assets carried at amortized cost or at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Corporation assumes that there is no significant increase in the credit risk regarding low-credit risk instruments.

For accounts receivable and contract assets, the Corporation applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognized at the time of initial recognition.

d) **Derecognition**

— **Financial Assets**

The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and nearly all the associated risks and rewards of ownership to another entity. Gains and losses upon derecognition are generally recognized in the Consolidated Statements of Comprehensive Income.

— **Financial Liabilities**

The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the Consolidated Statements of Income.

e) **Compensation**

Financial assets and liabilities are offset with the net balance recorded in the Consolidated Statement of Financial Position when there is an unconditional and legally enforceable and unconditional right to set off the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.19 Hedging Relationships

In accordance with its foreign currency hedge policy, the Corporation can use financial derivative instruments such as foreign exchange contracts and foreign currency options to eliminate or mitigate the risk of exchange rate fluctuations on its foreign currency transactions, assets and liabilities. Management is responsible for establishing acceptable risk levels and does not use derivatives for speculation purposes. The Corporation only uses these derivatives to hedge possible future transactions. Since the Corporation did not elect to apply hedge accounting, the foreign exchange forward contracts and foreign currency options are recognized at their fair value at the end of each period. Consequently, the gains or losses from the revaluation are presented in net income under "Foreign Exchange (Gain) Loss" as previously defined under Note 2.18.

The Corporation is also exposed to a foreign exchange risk stemming from net investments in its foreign subsidiaries having a functional currency that differs from the Corporation's functional currency. To protect itself against this risk, the Corporation can use hedge accounting by assigning certain of its U.S.-denominated debts as a hedge of net investments in foreign operations.

Hedges of net investments are as follows:

- All gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income (loss). The gains or losses relating to the ineffective portion are directly recognized in the Consolidated Statement of Income, and
- The gains or losses accumulated in shareholders' equity are included in the Consolidated Statement of Income when the foreign operation is partially divested or sold.

2.20 Pension Plans

The Corporation offers its eligible employees defined contribution pension plans for which it can contribute an amount equal to the employee's contribution or an amount predetermined under the collective bargaining agreements. The contributions to the pension plans are primarily disbursed on a monthly basis. Contributions are charged to net income under "Cost of goods sold" and "Selling and administrative expenses", when they are payable.

2.21 Segmented Information

The Corporation operates in the non-residential construction industry, primarily in the United States and Canada. The Corporation operational areas are consistently presented with the internal reports provided to the Chief Executive Officer (the chief operating decision-maker).

2.22 Dividends

The dividends on shares approved by the Board of Directors are recognized in the financial statements in the period in which they are declared.

NOTE 3 ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires Management to make judgements in the application of accounting policies used and to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods. Because financial reporting involves accounting judgements and entails the use of estimates, actual results could differ from those estimates. Underlying estimates and assumptions are periodically reviewed and the impact of any changes is immediately recognized.

The significant accounting judgements and estimates used by the Corporation to prepare the financial statements are:

3.1 Revenues Recognition

The identification of revenue-generating contracts with customers, the identification of performance obligations, the determination of the transaction price and its allocation between identified performance obligations, the use of the appropriate revenue recognition method (over time or at a specific point in time) for each performance obligation and the measure of progress for performance obligation satisfied over time are the main aspects of the revenue recognition process, all of which require judgment and the use of assumptions.

The transaction price corresponds to the amount of consideration to which the Corporation expects to be entitled in exchange for transferring promised goods or services to a customer. Such amount may require the Corporation to estimate an amount of a variable consideration, notably from estimated volume of work, claims and unpriced change orders, incentives or penalties, among others. Furthermore, the Corporation needs to constrain the transaction price by including only the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of variable consideration to be included in the transaction price of a given contract is determined by using various estimates and assumptions, which could be based on historical experience with the same customer or other similar contracts, third-party assessments, legal interpretation of relevant contractual clauses and probabilistic methodologies, among others. Due to the uncertain nature of the estimations, the amount of a variable consideration may vary significantly over time. Such estimated amount of a variable consideration then needs to be updated at the end of each reporting period.

The determination of total anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as potential variances in scheduling and cost of materials along with the availability and cost of qualified labour and subcontractors, productivity, and possible claims from subcontractors. A change in any of those factors could affect revenues recognition.

3.2 Assessment and Amortization of Long-Lived Assets

Management reviews the useful lives of its amortizable assets at each reporting date.

As at January 31, 2022 and 2021, Management estimated that the useful lives represented the expected useful life of the Corporation's assets. The carrying amounts are analyzed at the end of each fiscal year. Actual results could however differ because of technical obsolescence, particularly with regard to hardware and software.

3.3 Significant Judgment in Determining the Lease Term of Contracts

The Corporation determines the lease term as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Corporation applies judgment in assessing whether it is reasonably certain to exercise its options to extend its leases or to not exercise its options to terminate its leases, by considering all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the Corporation's control.

3.4 Income Tax

The Corporation calculates the income tax expense for each jurisdiction where it operates. However, the actual income tax amounts become definitive only upon the filing of income tax returns and acceptance thereof by the competent authorities, which occur after the financial statements are published.

Judgements must periodically be made to determine if deferred income tax assets must be recognized in the Consolidated Statement of Financial Position. Deferred income tax assets, including unused tax losses, require Management to assess whether the Corporation will generate taxable income in subsequent periods, in order to use deferred income tax assets. Once the assessment is done, if the Corporation believes that it is likely that a portion of its deferred income tax assets will not be realized, the deferred income tax asset is derecognized. The estimate of future taxable income is based on cash flow from operations forecasts and applicable tax laws in effect in each jurisdiction. Should future cash flows and taxable profit differ materially from these estimates, it could have an impact on the Corporation's ability to realize the net deferred income tax assets at the reporting date of the financial position.

3.5 Impairment of Non-Financial Assets

The Corporation's management reviews the carrying value of the Corporation's non-financial assets when there are events or circumstances that may indicate impairment.

Management makes judgments in assessing whether changes to certain factors would be considered an indicator of impairment, which include both internal and external factors such as:

- changes in signed backlog,
- changes in adjusted earnings before interest depreciation and amortization (adjusted EBITDA) margin,
- changes in EBITDA multiples of comparable companies and
- the Corporation's market capitalization compared to its net assets.

An impairment loss is recognized, if any, for the amount by which an assets or CGUs carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

For the purpose of assessing the potential impairment of the Corporation's non-financial assets, management would use the fair value less costs of disposal model to estimate the fair value based on earnings before interest depreciation and amortization (EBITDA) multiple approach. The significant assumptions, which affect the financial analysis include revenues, operating costs and margins, foreign exchange rates and comparable companies EBITDA multiple. These estimates are subject to certain risks and uncertainties that may affect the determination of the recoverability of the Corporation's non-financial assets.

As of January 31, 2022, and 2021, the Corporation's management has determined that there is no indicator of impairment and therefore no impairment test has been performed.

NOTE 4 COVID-19

Since March 2020, the COVID-19 pandemic has spread to North America. The markets served by the Corporation have, of course, not been spared by the many waves that continue to affect these same markets as of the date hereof.

A number of Canadian provinces and U.S. states, including Quebec and Montana, have instituted confinement periods or have introduced certain restrictions to contain the spread of the virus, except for essential services. Since the beginning of this pandemic and as at the date hereof, all of Corporation's facilities, including all of its job sites, remained open and operational.

The Corporation has taken steps to care for its employees, including allowing them to work remotely and implementing strategies to support appropriate social distancing techniques for employees who cannot work remotely. The Corporation has also taken precautions with regard to the hygiene of employees, facilities and offices, as well as the implementation of significant travel restrictions. The Corporation is also evaluating its business continuity plans for all of its operations in the context of this pandemic. This situation is evolving rapidly and the Corporation will continue to monitor and mitigate developments affecting its staff, suppliers, customers and the general public as much as it can.

During the health crisis, various government programs were put in place in Canada and the United States allowing the Corporation and some of its subsidiaries to benefit from government grants totalling \$1,879,000 recognized against salaries expense in the Consolidated Statement of Income for the Fiscal Year Ended January 31, 2022 (\$6,347,000 for the fiscal year ended January 31, 2021).

Management's estimates and judgments considered the uncertainties, including the uncertainty that the pandemic is causing in the various markets where the Corporation operates, and economic implications of the COVID-19 pandemic on the Corporation's business, financial performance and financial position, and did not result in material impacts for the fiscal year ended January 31, 2022.

However, at the date of publication of these consolidated financial statements, although the Corporation was able to reduce the short-term impact of the virus without significant reduction of its activities, it is not possible at this time to reliably assess the duration and the severity the global pandemic nor the long-term consequences it may have on the Corporation's financial results and cash flows.

NOTE 5 ACCOUNTS RECEIVABLE

As at January 31, (In thousands of CA\$)	2022	2021
Trade receivables	26,391	50,234
Holdbacks on contracts (Note 14)	14,033	10,785
	40,424	61,019

NOTE 6 INVENTORIES

As at January 31, (In thousands of CA\$)	2022	2021
Inventories	10,280	7,825
Inventories depreciation	(590)	(865)
	9,690	6,960

During the fiscal year ended January 31, 2022, the inventories amount recognized as cost of goods sold totalled \$90,562,000 and \$50,658,000 during the fiscal year ended January 31, 2021.

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvement to Lands	Equipment and Overhead Cranes	Office Furniture, Rolling Stock, and Computer Hardware	Total
(In thousands of CA\$)	\$	\$	\$	\$	\$
As at February 1, 2020					
Cost	5,752	62,162	42,878	6,406	117,198
Accumulated amortization	—	(21,226)	(26,380)	(4,625)	(52,231)
Net book value	5,752	40,936	16,498	1,781	64,967
Acquisitions	—	(45)	1,262	243	1,460
Disposals	—	—	—	(3)	(3)
Effect of fluctuations in exchange rates	(51)	(340)	(313)	(32)	(736)
Amortization expenses	—	(1,223)	(1,935)	(307)	(3,465)
Balance at January 31, 2021	5,701	39,328	15,512	1,682	62,223
As at January 31, 2021					
Cost	5,701	61,732	43,249	6,561	117,243
Accumulated amortization	—	(22,404)	(27,737)	(4,879)	(55,020)
Net book value	5,701	39,328	15,512	1,682	62,223
Acquisitions	—	2,029	22,432	979	25,440
Disposals	—	—	(228)	(151)	(379)
Effect of fluctuations in exchange rates	(7)	(49)	(51)	(5)	(112)
Amortization expenses	—	(1,209)	(1,949)	(385)	(3,543)
Balance at January 31, 2022	5,694	40,099	35,716	2,120	83,629
As at January 31, 2022					
Cost	5,694	63,710	59,058	7,289	135,751
Accumulated amortization	—	(23,611)	(23,342)	(5,169)	(52,122)
Net book value	5,694	40,099	35,716	2,120	83,629

For the fiscal year ended January 31, 2022, the amortization of property, plant and equipment totalled \$3,543,000 (\$3,465,000 for the fiscal year ended January 31, 2021) of which \$3,119,000 is included in the cost of goods sold, and \$424,000 is included in the selling and administrative expenses (respectively \$3,110,000 and \$355,000 for the fiscal year ended January 31, 2021).

The book value of the property, plant and equipment under construction and not amortized stood at \$21,807,000 as at January 31, 2022 (\$356,000 as at January 31, 2021). These amounts were mainly related to additions of new state-of-the art machinery at the Corporation's facilities in Terrebonne, Quebec.

NOTE 8 LEASE AGREEMENTS**8.1 Right-of-Use Assets**

During the fiscal years ended January 31, 2022 and 2021, the Corporation entered into lease agreements relating primarily for office spaces, equipment and rolling stock. The net book value of the right-of-use assets, are as follows:

	Land	Buildings and Improvement to Land	Office Space	Equipment and Overhead Cranes	Office Furniture, Rolling Stock and Computer Hardware	Total
(In thousands of CA\$)	\$	\$	\$	\$	\$	\$
As at February 1, 2020						
Cost	1,650	23,382	543	301	1,854	27,730
Accumulated amortization	—	(3,482)	(145)	(4)	(281)	(3,912)
Net book value	1,650	19,900	398	297	1,573	23,818
New leases	—	—	—	—	629	629
Disposals of leases	—	—	—	—	(234)	(234)
Amortization expenses	—	(504)	(178)	(12)	(307)	(1,001)
Effect of fluctuations in exchange rates	(57)	(658)	(6)	(10)	(3)	(734)
Balance as January 31, 2021	1,593	18,738	214	275	1,658	22,478
As at January 31, 2021						
Cost	1,593	22,582	524	291	2,171	27,161
Accumulated amortization	—	(3,844)	(310)	(16)	(513)	(4,683)
Net book value	1,593	18,738	214	275	1,658	22,478
New leases	—	49	80	—	617	746
Disposals of leases	—	—	—	—	(514)	(514)
Amortization expenses	—	(472)	(215)	(11)	(315)	(1,013)
Effect of fluctuations in exchange rates	(8)	(96)	(4)	(2)	—	(110)
Balance as January 31, 2022	1,585	18,219	75	262	1,446	21,587
As at January 31, 2022						
Cost	1,585	22,524	603	289	1,938	26,939
Accumulated amortization	—	(4,305)	(528)	(27)	(492)	(5,352)
Net book value	1,585	18,219	75	262	1,446	21,587

For the fiscal year ended January 31, 2022, the amortization of right-of-use assets totalled \$1,013,000 (\$1,001,000 for the fiscal year ended January 31, 2021), of which \$504,000 is included in the cost of goods sold, and \$509,000 is included in selling and administrative expenses (\$491,000 and \$510,000 respectively for the fiscal year ended January 31, 2021).

8.2 Lease Liabilities

The balance of lease liabilities is detailed as follows:

As at January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Current portion	841	1,143
Non-current portion	3,772	4,166
	4,613	5,309

The most important of these liabilities was contracted on April 18, 2014, by a subsidiary of the Corporation from a U.S. government agency. This loan was structured according to a sale and leaseback contract, resulting in a lease liability in the amount of US\$4,999,800. This liability bears a below-market interest rate of 1.98%, and was measured at fair value based on the prevailing market interest rate. Consequently, monthly interest is calculated using the annual implicit rate of 4.48%. The US\$794,000 difference between the fair value of US\$4,206,000 and the cash received, in the amount of US\$4,999,800, was recorded as a grant against the related property, plant and equipment.

The capital of this liability is repayable in equal monthly installments estimated at US\$28,000 began in May 2014 and ending in May 2029, with a bargain purchase option for of \$10. This lease is also subject to certain covenants, including covenants related to job creation.

This lease will be eligible for a maximum tax credit of up to US\$5,783,000, corresponding to payments of principal and interest, the use of which is dependent on future taxable profits in Montana, U.S.A. Based on the level of historical taxable income and uncertainty on projected taxable income in that state, At the date hereof Management believes there is no reasonable assurance that this asset will be realized, and consequently no asset related to these investment tax credits were recorded as at January 31, 2022 and 2021.

NOTE 9 INTANGIBLE ASSETS

	Total
(In thousands of CA\$)	\$
As at February 1, 2020	
Cost	9,187
Accumulated amortization	(5,833)
Net book value	3,354
Acquisitions	361
Amortization expenses	(449)
Balance at January 31, 2021	3,266
As at January 31, 2021	
Cost	9,547
Accumulated amortization	(6,281)
Net book value	3,266
Acquisitions	589
Amortization expenses	(498)
Balance at January 31, 2022	3,357
As at January 31, 2022	
Cost	9,979
Accumulated amortization	(6,622)
Net book value	3,357

As at January 31, 2022 and 2021, all intangible assets were subject to amortization and were mostly comprised of in-house software development. The remaining weighted average amortization period of intangible assets was 10 years as at January 31, 2022.

For the fiscal year ended January 31, 2022, amortization of intangible assets totalled \$498,000 (\$449,000 for the fiscal year ended January 31, 2021) of which \$107,000 is included in the cost of goods sold, and \$391,000 is included in selling and administrative expenses (respectively \$112,000 and \$337,000 for the fiscal year ended January 31, 2021).

NOTE 10 CREDIT FACILITIES

10.1 Canadian Operating Credit Facility

The Corporation has a \$30,000,000 credit facility granted by a Canadian financial institution. This credit facility was renewed on October 29, 2021, without any change in the terms and conditions, and is renewable annually. The available amount of \$30,000,000 is subject to a monthly margination calculation on trade receivables and inventory, thus limiting the amount of the eligible credit facility.

Taking into account this calculation and the letter of credit issued for US\$3,419,000 (\$4,349,000) as security for two long-term debts, the available balance of this credit facility as at January 31, 2022, was \$13,960,900 and \$25,410,000 as at January 31, 2021. As at January 31, 2022 and 2021, no amount was drawn from the credit facility.

This credit facility bears interest at the Canadian bank's variable base rate plus 1.0% and is secured by the universality of movable, present and future, tangible and intangible assets as well as inventories and accounts receivable, excluding holdbacks receivable.

This credit agreement contains covenants that, among other things, require the Corporation to maintain certain financial ratios, which were all respected as at January 31, 2022.

10.2 U.S. Revolving Credit

The Corporation has a revolving credit agreement with a U.S. bank, which was renewed on November 1, 2021. According to the renewal, this revolving credit bear interest from now on at the SOFR rate (US\$) for one month plus 2.11% compared to the one-month LIBOR rate (US\$) plus 2.0% before this renewal. The other terms and conditions remained unchanged. The limit available was US\$2,659,700 (\$3,382,900) as at January 31, 2022 and US\$2,018,360 (\$2,579,500) as at January 31, 2021. As at January 31, 2022 and 2021, this revolving credit was unused.

This credit, which is subject to the same guarantees as the long-term bank loan (see Note 12), is renewable annually and can also be used to issue letters of credit.

NOTE 11 ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

As at January 31, (In thousands of CA\$)	2022	2021
Accounts payable	\$ 14,773	12,124
Salaries and fringe benefits payable	8,516	6,371
Accrued liabilities	8,653	12,657
Share-based compensation (Note 13)	1,001	1,891
Indirect taxes	1,478	1,519
	34,421	34,562

NOTE 12 LONG-TERM DEBT

As at January 31, (In thousands of CA\$)	2022	2021
Bank loan, secured by a hypothec totaling \$40,000,000 on the main building of the parent company, ADF Group Inc., including future additions and certain equipment. ⁽¹⁾	\$ 29,613	—
Bank loan, secured by a hypothec totaling \$24,000,000 on the universality of all assets, movable and immovable, tangible and intangible, present and future of ADF Group Inc., the parent company. ⁽²⁾	—	17,082
Bank loan secured by a first rank movable security interest on certain property, plant, and equipment of a subsidiary of the Corporation and by a US\$3,419,000 (\$4,349,000) letter of credit (Note 10). This US-denominated loan amounted to US\$754,000 (\$959,000) as at January 31, 2022 and US\$1,112,000 (\$1,421,000) as at January 31, 2021. ⁽³⁾	959	1,421
Secured term loan by a second rank movable security interest on certain property, plant, and equipment of a subsidiary of the Corporation. This US-denominated loan amounted to US\$192,000 (\$244,000) as at January 31, 2022 and US\$297,000 (\$380,000) as at January 31, 2021. ⁽⁴⁾	244	379
Bank loan secured by a US\$3,419,000 (\$4,349,000) letter of credit (Note 10). This US-denominated loan amounted to US\$47,000 (\$60,000) as at January 31, 2022 and US\$158,000 (\$202,000) as at January 31, 2021. ⁽⁵⁾	60	202
Bank loan issued on May 5, 2020 and guaranteed by the US Small Business Administration (SBA). This loan, denominated in US dollars, amounted to US\$930,000 (\$1,183,000) as at January 31, 2022 and 2021. ⁽⁶⁾	1,183	1,188
	32,059	20,272
Current portion	3,357	1,904
	28,702	18,368

(1) On November 9, 2021, the Corporation obtained a \$30,000,000 bank loan from Business Development Bank of Canada ("BDC"). The disbursement of this loan, which took place on January 31, 2022, was used as follows:

- \$16,178,250 for the repayment of an existing loan, and
- \$13,821,750 to increase the Corporation's working capital.

This loan bears interest at the annual variable interest rate of the BDC, less 1.5%, and is payable monthly. The capital is repayable by a first installment of \$140,800 on March 23, 2022, followed by 215 equal monthly installments of \$138,880 beginning on April 23, 2022, and ending on February 23, 2040. Under this loan, the Corporation has committed to complying annually with financial ratios, which were all respected as at January 31, 2022.

(2) This bank loan, which bore interest at BDC's annual variable rate, was repaid on January 31, 2022, by the issuance of the new \$30,000,000 loan.

(3) Debt contracted by a subsidiary of the Corporation to the initial amount of US\$3,419,000 with a U.S. bank. This debt bears a below-market rate of interest of 2.721%, and was measured at fair value based on the prevailing market interest rate. Therefore, monthly interest is calculated using the annual implicit rate of 3.42%. The capital of this debt is repayable in monthly installments estimated at US\$31,000 which began in February 2014 and will end in January 2024.

(4) A subsidiary of the Corporation contracted a US\$990,000 debt with the U.S. government agency. This debt bears a below-market interest rate of 2.785%, and was measured at fair value based on the prevailing market interest rate. Consequently, monthly interest is calculated using the annual implicit rate of 3.5%. The capital of this debt is repayable in monthly installments estimated at US\$9,000 which began in November 2013 and will end in October 2023.

(5) In May 2017, a subsidiary of the Corporation contracted a new loan to finance the purchase of equipment for its fabrication plant in Great Falls, Montana. This US\$520,000 loan from a U.S. bank has a 5-year term and bears an annual 3.84% fixed interest rate. The principal will be repaid by monthly installments of approximately US\$9,000 began in July 2017 and ending in May 2022.

(6) On May 5, 2020, under the US Care Act and as part of a paycheck protection program, the SBA in response to COVID-19, the Corporation obtained a US\$969,000 loan from a US bank. This loan is guaranteed by the SBA and was issued to a US subsidiary of the Corporation. According to the initial terms, the principal of this loan was to be repaid over a 2-year period. However, if certain conditions are met, this loan could be partially or fully forgiven.

As of the date hereof, no reasonable assurance has been established that these conditions will be met. This loan bears interest at a below market rate of 1% and has been measured at fair value using an estimated market rate of interest for similar financial instruments. Therefore, interest at the implied annual rate of 3.25% is calculated monthly. The difference of \$52,000 (US\$39,000) between this fair value of \$1,313,000 (US\$930,000) and the cash received in the amount of \$1,365,000 (US\$969,000), has been considered as a government assistance and recognized as a reduction in the salary expenses. The monthly payments must begin from the date on which the pardon request would be refused by the SBA, and will end in the fiscal year ending January 31, 2023.

Certain property, plant and equipment having a carrying value of \$33,920,000 as at January 31, 2022, and \$27,935,000 as at January 31, 2021, are given as security for the long-term debt.

As at January 31, 2022, the Corporation was in compliance with its covenants of its long-term loans and bonding agreements (See Note 22).

NOTE 13 CAPITAL STOCK

13.1 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 January 31, 2021 and 2022	18,292,099	52,119	14,343,107	16,001	32,635,206	68,120

13.2 Deferred Share Units Plan ("DSU")

The DSU are recognized progressively in the Consolidated Statement of Income over the vesting period and their costs is determined using a valuation model based on the market price of the Corporation's subordinate voting shares. The DSU are re-evaluated at fair value at the end of each reporting period, using the market price of the Corporation's subordinate voting shares.

a) External Directors

During the fiscal years ended January 31, 2022 and 2021, DSU compensation to External Directors recorded in the Consolidated Statement of Income amounted to an expense of \$161,000 and \$344,000 respectively, including the impact of the change in the market price of the Corporation's share.

Fluctuations in DSU for External Directors were as follows:

Fiscal Years Ended January 31,	2022	2021
(In number of deferred share units)	Number	Number
Outstanding, at the beginning of fiscal year	619,521	464,467
Granted	140,603	155,054
Distributed	(705,128)	—
Outstanding and vested, at the end of fiscal year	54,996	619,521

The carrying amount and the intrinsic value of the liabilities related to the External Directors vested DSU amounted to an immaterial amount as at January 31, 2022 (\$985,000 as at January 31, 2021), and is recorded in "Accounts Payable and Other Current Liabilities" in the Consolidated Statements of Financial Position.

b) Executive Officers and Key Employees

The DSU compensation for Executive Officers and key employees, amounted to an immaterial expense for the fiscal years ended January 31, 2022 and 2021, includes the impact of the change in the market price of the Corporation's share.

Fluctuations in DSU for the Executive Officers and key employees were as follows:

Fiscal Years Ended January 31,	2022	2021
(In number of deferred share units)	Number	Number
Outstanding, at the beginning of fiscal year	293,460	198,208
Granted	37,110	95,252
Outstanding, at the end of fiscal year	330,570	293,460
Vested, at the end of fiscal year	234,987	174,125

The carrying amount of the liabilities related to Executive Officers and key employees' DSU, amounting to \$470,000 as at January 31, 2022 (\$386,000 as at January 31, 2021), is recorded in "Accounts Payable and Other Current Liabilities" in the Consolidated Statements of Financial Position, and of which \$374,000 correspond to the intrinsic value of vested DSU as at January 31, 2022 (\$277,000 as at January 31, 2021).

13.3 Performance Share Units Plan ("PSU")

During the fiscal year ended January 31, 2022, PSU compensation for Executive Officers and key employees amounted to an immaterial expense (an expense of \$529,000 for the fiscal year ended January 31, 2021) including the impact of the variation in the Corporation's share price.

Fluctuations in PSU for Executive Officers and key employees were as follows:

Fiscal Years Ended January 31, (In number of performance share units)	2022	2021
	Number	Number
Outstanding, at the beginning of fiscal year	346,248	211,373
Granted	93,549	134,875
Distributed	(122,053)	—
Outstanding, at the end of fiscal year	317,744	346,248
Vested, at the end of fiscal year	178,624	126,948

As at January 31, 2022, the carrying amount of the liabilities related the Executive Officers and key employees' PSU, amounted to \$443,000 (\$520,000 as at January 31, 2021), including an amount of \$284,000, which corresponds to the intrinsic value of the vested PSU as at January 31, 2022 (\$202,000 as at January 31, 2021).

NOTE 14 INFORMATION RELATED TO CONTRACTS WITH CUSTOMERS

All revenues recognized during the fiscal years ended January 31, 2022 and 2021, derived from contracts with customers and 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 recognized profits, less recognized losses and progress billings for the period. The carrying amount of assets and liabilities is as follows:

As at January 31, (In thousands of CA\$)	2022	2021
	\$	\$
Total amount of costs incurred and margins recorded on all ongoing contracts	862,486	610,820
Less advances and progress billings	(846,258)	(625,308)
	16,228	(14,488)

Recognized as follows:

As at January 31, (In thousands of CA\$)	2022	2021
	\$	\$
Amount owed by clients for work performed on contracts, recorded in contract assets	29,998	8,790
Amount owed to clients for work performed on contracts, recorded in contract liabilities	(13,770)	(23,278)
	16,228	(14,488)

Holdbacks on contracts amounted to \$14,033,000 as at January 31, 2022, will be received at the time of the client's approval of the work performed during the next 12 months (\$10,785,000 as at January 31, 2021) and are included under "Account receivables" in current assets in the Consolidated Statement of Financial Position.

In addition to the foreign exchange fluctuations, the variation in contract assets and liabilities is mainly attributable to additional revenues recognized within the Corporation's normal course of business, and the billing of these activities to customers. The Corporation can also receive advances and deposits from its customers before revenues were recognized.

The Corporation determined that less than 5% of its total revenues from performance obligations, recorded during the fiscal year ended January 31, 2022, were earned during previous periods. These revenues are primarily attributable to price adjustments approved by customers during the fiscal year ended January 31, 2022, for services earned in prior fiscal years as per the Corporation's normal course of business.

In addition, revenues recorded during the fiscal year ended January 31, 2022, included the amount of \$22,983,000 (\$2,085,000 during the fiscal year ended January 31, 2021) as part of the opening balance of contract liabilities.

The amount of the transaction price related to performance obligations that were not fulfilled (or partially fulfilled) as at January 31, 2022, on all contracts with customers, is expected to be recognized in revenues as follows: 2023: \$242,573,000 and thereafter: \$130,527,000. It should be noted that these amounts exclude any estimated amounts of variable considerations that are excluded from the transaction price.

NOTE 15 CLASSIFICATION OF EXPENSES BY NATURE

Fiscal Years Ended January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Raw material, consumables and subcontracting	171,887	93,096
Salaries and employees' benefit expenses (Note 16)	55,791	37,087
Transportation	11,088	4,095
Drafting and engineering	7,481	7,149
Amortization expenses	5,054	4,915
Travelling and representation expenses	2,290	1,772
Professional fees	2,500	4,806
Maintenance and repairs	1,538	1,333
Rental equipment	5,383	614
Electricity and heating	1,356	1,262
Management fees with related companies (Note 17)	1,240	1,216
Insurance	2,379	1,735
Taxes and permits	1,044	1,068
Gain on disposal of property, plant and equipment	(2,111)	—
Other	1,115	1,019
	268,035	161,167

Distributed as follows:

Fiscal Years Ended January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Cost of goods sold	256,046	146,388
Selling and administrative expenses	11,989	14,779
	268,035	161,167

Cost of goods sold is as follows:

Fiscal Years Ended January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Cost of goods sold excluding amortization	252,316	142,675
Amortization of property, plant and equipment, intangible assets and right-of-use assets	3,730	3,713
	256,046	146,388

NOTE 16 SALARIES AND EXPENSES RELATED TO EMPLOYEES BENEFITS

Fiscal Years Ended January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Salaries and other short-term benefits ⁽¹⁾	40,326	26,819
Social security costs	12,816	7,326
Pension plan contributions	2,021	1,670
Share-based compensation (Note 13)	361	998
Others	267	274
	55,791	37,087

(1) Net of government grants totaling \$1,879,000 for the fiscal year ended January 31, 2022, and \$6,347,000 for the fiscal year ended January 31, 2021 (see Note 4).

NOTE 17 EXECUTIVE OFFICERS' COMPENSATION

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

Fiscal Years Ended January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Salaries and other short-term benefits	2,848	1,953
Social security costs	290	210
Management fees ⁽¹⁾	1,240	1,216
Pension plan contributions	148	140
Share-based compensation	361	998
Attendance fees	267	274
	5,154	4,791

(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.

NOTE 18 NET FINANCIAL EXPENSES

Net financial expenses were as follows:

Fiscal Years Ended January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Interest on long-term debt	669	938
Interest on lease liabilities (Note 8)	209	258
Interest on credit facilities	180	323
Others	116	144
	1,174	1,663

NOTE 19 INCOME TAX**19.1 Income Tax Expense**

Fiscal Years Ended January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Current		
Income tax expense during the fiscal year	(448)	740
Deferred		
Unrecognized (recognized) deferred income tax assets from the United States	(1,126)	702
Adjustments for prior fiscal years	48	20
Recognition and reversal of temporary differences	3,022	690
	1,944	1,412
Income tax expense	1,496	2,152

The next table reconciles the Corporation's income tax expense and the amount which would be obtained by multiplying income before income tax expense and the combined Canadian federal and provincial tax rate:

Fiscal Years Ended January 31,	2022		2021	
(In thousands of CA\$ and in percentage)	\$	%	\$	%
Allowance using basic income tax rates	2,930	26.5	2,390	26.5
Increase (decrease) resulting from:				
Non-taxable income related to the forgiveness of a COVID-19-related loan	—	—	(968)	(10.7)
Unrecognized (recognized) deferred income tax assets from the United States ⁽¹⁾	(1,126)	(10.2)	702	7.8
Others	(308)	(2.8)	28	0.3
Income tax expense	1,496	13.5	2,152	23.9

(1) During the fiscal year ended January 31, 2021, in light of the results of its U.S. subsidiaries, the Corporation did not recognize an amount of \$702,000 in new deferred income tax assets related to U.S. operations, but has recognized during the fiscal year ended January 31, 2022, deferred tax assets of \$1,126,000 for which no deferred tax benefit was previously recognized.

19.2 Deferred Income Tax Assets and Liabilities

The tables below provide the movement in deferred income tax assets and liabilities during the fiscal year, without taking into account the offsetting of the balances within the same tax jurisdiction:

a) Deferred Income Tax Assets

	Tax Loss Carryovers	SR&ED Expenses	Financial Expenses and Other Deferred Charges	Foreign Exchange Forward Contracts	Others	Total
(In thousands of CA\$)	\$	\$	\$	\$	\$	\$
As at February 1, 2020	364	911	383	33	485	2,176
Recognized in the Consolidated Statement of Income	(364)	(361)	208	(33)	18	(532)
As at January 31, 2021	—	550	591	—	503	1,644
Recognized in the Consolidated Statement of Income	1,435	46	42	—	194	1,717
As at January 31, 2022	1,435	596	633	—	697	3,361

b) Deferred Income Tax Liabilities

	Property, Plant and Equipment, Right-of-Use assets and Intangible Assets	Holdbacks on Contracts Receivable	Investment Tax Credits	Contract Assets	Foreign Exchange Forward Contracts	Total
(In thousands of CA\$)	\$	\$	\$	\$	\$	\$
As at February 1, 2020	4,222	1,017	353	799	—	6,391
Recognized in the Consolidated Statement of Income	440	673	—	(370)	137	880
As at January 31, 2021	4,662	1,690	353	429	137	7,271
Recognized in the Consolidated Statement of Income	529	293	—	2,976	(137)	3,661
As at January 31, 2022	5,191	1,983	353	3,405	—	10,932

The deferred income tax assets and liabilities are presented as follows in the Consolidated Statements of Financial Position:

As at January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Non-current deferred income tax assets	3,361	1,644
Compensation per fiscal jurisdiction	(3,361)	(1,644)
	—	—
Non-current deferred income tax liabilities	(10,932)	(7,271)
Compensation per fiscal jurisdiction	3,361	1,644
	(7,571)	(5,627)
Deferred income tax liabilities (net)	(7,571)	(5,627)

As at January 31, 2022, the Corporation had operating tax losses of \$31,773,000 available in the United States (\$37,812,000 as at January 31, 2021) for carry-forward purposes for which no deferred tax asset was not recognized. These losses carry forwards expire between 2024 and 2040.

The movement in the net deferred income tax assets and liabilities is provided in the table below:

As at January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Beginning of fiscal year	(5,627)	(4,215)
Recognized in the Consolidated Statement of Income	(1,944)	(1,412)
End of fiscal year	(7,571)	(5,627)

NOTE 20 EARNINGS PER SHARE

Diluted income 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.

Fiscal Years Ended January 31,	2022	2021
Numerator (in thousands of CA\$)		
Numerator applicable to basic and diluted earnings per share	9,563	6,867
Denominator (in thousands)		
Basic and diluted weighted average number of shares	32,635	32,635

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

During the fiscal years ended January 31, 2021 and 2022, no stock options were included in the computation of diluted earnings per share because of their antidilutive effect.

NOTE 21 SUPPLEMENTAL CASH FLOWS INFORMATION**21.1 Change in Non-Cash Working Capital Items**

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

Fiscal Years Ended January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Accounts receivable	20,342	(10,870)
Contract assets	(21,099)	5,236
Inventories	(2,714)	830
Prepaid expenses and other current assets	2,382	(922)
Accounts payable and other current liabilities	(2,041)	3,580
Contract liabilities	(9,366)	20,793
Others	(15)	(10)
Change in non-cash working capital items	(12,511)	18,637

21.2 Non-Cash Transactions

The following transactions had no cash impact for the fiscal year ended January 31, 2022:

- Acquisition of property, plant and equipment in exchange for other property, plant and equipment for an amount of \$3,180,000.
- Acquisitions of property, plant and equipment for which an amount of \$1,484,000 remained unpaid as at January 31, 2022 (no amount of the fiscal year ended January 31, 2021).

21.3 Changes in Liabilities Arising from Financing Activities

The following tables reconcile the beginning and ending balances of the consolidated statement of financial position for long-term debt, lease liabilities and credit facilities, including the current portions:

a) Long-Term Debts

Fiscal Years Ended January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Balance, beginning of fiscal year	20,272	21,059
Repayment of long-term debt	(17,878)	(1,918)
Issuance of long-term debt	30,000	5,654
Government grants ⁽¹⁾	—	(3,949)
Effect of fluctuations in exchange rates	(19)	(574)
Others	(316)	—
Balance, end of fiscal year	32,059	20,272

(1) During the fiscal year ended January 31, 2021, a U.S. subsidiary of the Corporation met the conditions for the forgiveness of a loan issued by the SBA under the paycheck protection program in response to COVID-19. This forgiveness was recognized as a government grant.

b) **Lease Liabilities**

Fiscal Years Ended January 31, (In thousands of CA\$)	2022	2021
Balance, beginning of fiscal year	\$ 5,309	\$ 6,000
New leases	688	637
Disposal of leases	(397)	(232)
Lease liabilities payment	(963)	(961)
Effect of fluctuations in exchange rates	(24)	(135)
Balance, end of fiscal year	4,613	5,309

c) **Credit Facilities**

Fiscal Years Ended January 31, (In thousands of CA\$)	2022	2021
Balance at the beginning of fiscal year	—	13,105
Net variation	—	(13,105)
Balance, end of fiscal year	—	—

NOTE 22 CONTINGENCIES

In the normal course of business, the Corporation may be required by clients to provide performance bonds for the execution of work. In order to provide such bonds, some subsidiaries of the Corporation have entered into general indemnity agreements with bonding companies. To guarantee their obligations under the terms of these agreements, the Corporation and these subsidiaries have granted the bonding companies a movable hypothec on certain assets such as rights, titles, licences, and equipment, work in progress and accounts receivable. The bonding issued on the ongoing projects as at January 31, 2022, stood at \$407,810,000.

NOTE 23 CAPITAL DISCLOSURES

The Corporation's objectives when managing capital are to:

- Maintain a structure in order to optimize the cost of capital based on an acceptable risk level, while offering an adequate return to shareholders;
- Manage capital in an optimal manner, while ensuring that the lenders' financial covenants are respected;
- Manage capital in order to uphold a bonding capacity in line with the Corporation's growth objectives; and
- Further increase capital in order to preserve the trust of investors, lenders, suppliers and clients.

The Corporation defines capital as the sum of shareholders' equity, long-term debt and lease liabilities, including current portion, and short-term bank loans, where appropriate.

The Corporation has not made any changes to its capital management since the last fiscal years. Generally, the Corporation manages its capital structure and make adjustments based on the objectives previously mentioned, economic trends, as well as all underlying risks related to the contracts in hand.

In order to uphold or readjust its capital structure, the Corporation can:

- Issue new treasury shares;
- Amend the dividend paid to shareholders;
- Redeem subordinate voting shares;
- Incur new debts, and
- Sell certain assets to reduce indebtedness.

In addition, the Corporation periodically monitor its capital, namely with regard to a number of financial indicators, of which the "Total of the credit facilities and long-term debt including lease liabilities, net of cash and cash equivalents, to shareholders' equity" ratio. This ratio measures the level of the credit facilities and long-term financing including lease liabilities, net of cash and cash equivalents, in relation to the capital invested by shareholders. This financial indicator does not have standardized meaning as prescribed by IFRS and therefore may not be comparable to similar measurements presented by other issuers.

As at January 31,	2022	2021
Total credit facilities and current portion and long-term debt and lease liabilities, net of cash and cash equivalents (In thousands of CA\$)	29,542	7,775
Shareholders' equity (In thousands of CA\$)	108,450	99,565
Total credit facilities and current portion and long-term debt and lease liabilities, net of cash and cash equivalents, to shareholders' equity ratio	0.27:1	0.08 :1

The Corporation's goal is to maintain a positive ratio of 0.50:1 or less. Moreover, this goal could be revised in light of developing projects that will be considered strategic and conducive.

NOTE 24 FINANCIAL RISK MANAGEMENT

The Corporation is party to financial instruments, and thus, is particularly exposed to market risks (Section 24.1), credit and credit concentration risks (Section 24.2), and liquidity risks (Section 24.3).

24.1 Market Risk

The risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to distinct financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is particularly exposed to the following market risks:

- a) Foreign exchange risk
- b) Interest rate risk

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

A description of the main financial risks to which the Corporation is exposed is provided below:

a) Foreign Exchange Risk

The Corporation is exposed to exchange rate fluctuations between the Canadian and US dollar, since a significant portion of its revenues is generally recorded in US dollars. For the fiscal year ended January 31, 2022, 86% of the Corporation's revenues were recorded in U.S. dollars (81% during the fiscal year ended January 31, 2021). Notwithstanding these variations and pursuant to its foreign currency hedge policy, the Corporation uses different mechanisms to mitigate the impact of these fluctuations on its results, such as:

- Maximizing purchases in US dollars when possible to avail itself of a natural hedging;
- Acquiring fabrication equipment in US dollars;
- Issuance of long-term debt in US dollars;
- Using hedge accounting, the case may be, and
- Using foreign exchange forward contracts and/or foreign currency options to hedge part of the residual exchange risk.

In line with its hedging policy, to manage its net risk between the future US-denominated cash inflows and outflows, the Corporation entered into foreign exchange forward contracts.

As at January 31, 2022, the Corporation was party to foreign exchange forward contracts for the sale of US\$24,522,000 (US\$24,058,000 as at January 31, 2021) with maturities varying between three (3) months to twelve (12) months with rates between 1.2578 and 1.2950 (between 1.2763 and 1.3412 as at January 31, 2021). These derivative financial instruments are classified as held for trading and are measured at their fair value at the end of each period since they are not designated as part of an effective hedging relationship.

For this purpose, the fair value of foreign exchange forward contracts recorded was \$4,000 as at January 31, 2022, and \$517,000 as at January 31, 2021 under "Prepaid expenses and other current assets" in the Consolidated Statements of Financial Position. During the fiscal year ended January 31, 2022, a realized and unrealized loss of \$609,000 (a realized and unrealized gain of \$946,000 for the fiscal year ended January 31, 2021), was recorded in the Consolidated Statement of Income under the item "Foreign Exchange Loss".

The following table summarizes significant non-derivative financial assets and liabilities that are subject to a foreign currency exposure as at January 31, 2022 and 2021, and whose foreign currency exposure is recognized in income:

As at January 31, (In thousands of US\$)	2022	2021
Financial assets	\$	\$
Cash and cash equivalents	624	1,390
Accounts receivable	9,905	13,219
Current advances to subsidiaries ⁽¹⁾	12,384	20,397
	22,913	35,006
Financial liabilities		
Accounts payable and other current liabilities	4,107	6,016
	4,107	6,016
Net exposure	18,806	28,990

(1) Although these balances are eliminated in the Consolidated Statement of Financial Position, the effects of currency fluctuations are recorded in net income.

Based on the balance, as at January 31, 2022, of the Corporation's financial instruments denominated in foreign currencies, a 10% fluctuation in the exchange rate between the Canadian and US dollars, while all other variables remaining constant, would have had no impact on net income before tax (\$630,000 for the year ended January 31, 2021).

b) Interest Rate Risk

The Corporation is exposed to interest rate fluctuations mainly because of the floating interest rate of its credit facilities and a portion of its long-term debt, where applicable (Notes 10 and 12). In addition, the interest rate fluctuations could also affect the Corporation's financial revenues generated by the cash and cash equivalents.

The Corporation's interest rate policy generally requires that an appropriate mix between fixed interest and floating interest debts be maintained in order to reduce the net impact of interest rate fluctuations. According to this policy, if this combination is unsuitable, the Corporation can use interest-rate swaps so as to achieve a less volatile interest expense.

According to the Corporation's Management, as at January 31, 2022 and 2021, the use of interest rate swap was no longer required to hedge the interest rate risk, given that the balance of the long-term debt, including the short-term credit facilities, included a reasonable combination of fixed and floating interest rates.

Based on the balance of the floating interest rate debt as at January 31, 2022 and 2021, the impact of an upward or downward 0.5% change in interest rates, assuming all other variables remain constant, would have had an immaterial impact on the Corporation's net income over a horizon of 12 months.

24.2 Credit and Credit Concentration Risks

a) Credit Risk

Risk, that a party to a financial instrument neglecting its obligations will cause a financial loss for the other party.

b) Credit Concentration Risk

Risk that the business deals with a limited number of clients and financial institutions, which might increase the credit risk, as defined above.

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

Cash equivalents are usually risk-free or low risk investments. Where this is the case, the Corporation deposit its cash equivalents with recognized financial institutions, the most important of which are Canadian chartered banks.

In the normal course of business, the Corporation grants credit to its clients. The Corporation carries out credit checks on its clients, declares their contracts directly to the owner and when relevant, to the bonding company involved in the project. Finally, the Corporation establishes allowances for credit losses, if applicable, using the expected credit losses to estimate this allowance. This method takes into account the credit risks of its customers, the expected life of these financial assets, historical trends and economic conditions.

Credit risk with respect to accounts receivable is mitigated by the available mechanisms of protection in case of non-payment, including liens on buildings, and given that the Corporation's clients tend to be general contractors, or companies doing business with contractors governed by rigorous practices and servicing adequately funded projects.

As at January 31, 2022, 8% of trades receivable, representing \$2,143,000 (4% or \$1,958,000 as at January 31, 2021) was overdue under contractual terms (over 90 days). Management believes that most of these accounts are with established corporations or were cashed since, and therefore, the Corporation does not believe that it is exposed to an unusual or significant level of risk as at January 31, 2022 and 2021.

As previously described, credit risk arising from the concentration of its clients is also mitigated through monitoring and the measures available to the Corporation. As at January 31, 2022, 77% of accounts receivable was concentrated with four (4) clients (63% of accounts receivable attributable to three (3) clients as at January 31, 2021). It should be noted that given the specialization of its market niches and the nature of the contracts that the Corporation submits bids for, such concentration regularly occurs in the Corporation's activities.

24.3 Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to fulfill its obligations as they come due. The Corporation manages its liquidity risk by forecasting cash flows from operating, investing and financing activities. The senior management is also actively involved in the review and approval of contracts with clients and planned capital expenditures. To fund its liquidity requirements, the Corporation uses cash flows from its operating activities, the credit facilities, issuance of debts and shares. In addition, in order to alleviate this risk, the Corporation has a policy that essentially targets contracts that can generate positive cash flows throughout their execution.

As at January 31, 2022, the maturity analysis of financial liabilities was as follows:

	Book Value as at January 31, 2022	Less than 1 Year	From 1 to 3 Years	From 4 to 5 Years	More than 5 Years	Total
(In thousands of CA\$)	\$	\$	\$	\$	\$	\$
Accounts payable and other current liabilities	34,421	34,421	—	—	—	34,421
Long-term debt						
Principal	32,059	3,382	3,927	3,333	21,804	32,446
Interest		858	1,652	1,436	4,380	8,326
Lease liabilities						
Principal	4,613	841	1,634	1,059	1,079	4,613
Interest		172	250	145	59	626
	71,093	39,674	7,463	5,973	27,322	80,432

As at January 31, 2021, the maturity analysis of financial liabilities was as follows:

	Book Value as at January 31, 2021	Less than 1 Year	From 1 to 3 Years	From 4 to 5 Years	More than 5 Years	Total
(In thousands of CA\$)	\$	\$	\$	\$	\$	\$
Accounts payable and other current liabilities	34,562	34,562	—	—	—	34,562
Long-term debt						
Principal	20,272	1,909	4,811	2,353	11,276	20,349
Interest		864	1,531	1,213	2,643	6,251
Lease liabilities						
Principal	5,309	1,143	1,568	1,084	1,514	5,309
Interest		206	288	180	119	793
	60,143	38,684	8,198	4,830	15,552	67,264

Balances in U.S. dollars and/or subject to floating interest rates are established based on the relevant spot rates at the respective dates.

NOTE 25 FINANCIAL INSTRUMENTS

25.1 Categories for Measurement

The next table provides the book value per class of financial instruments:

As at January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Financial assets at amortized cost		
Cash and cash equivalents	7,130	17,806
Accounts receivable	40,424	61,019
	47,554	78,825
Financial assets at fair value through net income		
Derivative financial instruments	4	517
	4	517
Financial liabilities to amortized cost		
Accounts payable and other current liabilities ⁽¹⁾	23,426	24,781
Long-term debt ⁽²⁾	32,059	20,272
	55,485	45,053

(1) Excludes amounts due for statutory liabilities, employee benefits and share-based payments.

(2) Excludes lease liabilities.

As at January 31, 2022 and 2021, given the upcoming maturity dates of cash and cash equivalents, accounts receivable, other current assets, contract assets, credit facilities, accounts payable and other current liabilities, as well as contract liabilities, their fair value was approximately equal to their book value.

The fair value of the long-term debt (excluding the lease liabilities) did not differ significantly from its book value as at January 31, 2022 and 2021, as the effective interest rates reflect current market conditions.

25.2 Fair Value Hierarchy of Financial Assets and Liabilities

In accordance with IFRS, the Corporation measures its financial assets and liabilities using the following fair value hierarchies, 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).
- Fair value - Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For all financial instruments measured at fair value, the Corporation classified fair value measurements at level 2, as they are primarily based on observable data other than in an active market.

NOTE 26 SEGMENTED INFORMATION

The Corporation operates one operational sector, being, the non-residential construction industry, primarily in the United States and Canada. This sector includes the following areas of expertise: 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.

Fiscal Years Ended January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Revenues		
Canada	39,810	32,025
United States	240,930	140,568
	280,740	172,593

As at January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Non-current assets ⁽¹⁾		
Canada	68,907	46,794
United States	41,041	42,561
	109,948	89,355

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

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

During the fiscal year ended January 31, 2022, 86% of the Corporation's revenues was realized with three (3) clients, each representing 10 % and more of its revenues (66% with three (3) clients during the fiscal year ended January 31, 2021).

The following table presents the breakdown of revenues for each of these clients:

Fiscal Years Ended January 31,	2022	2021
(In thousands of CA\$)	\$	\$
Client A ⁽¹⁾	168,950	63,613
Client B ⁽¹⁾	40,610	28,141
Client C ⁽²⁾	31,381	21,517
	240,941	113,271

(1) From the United States

(2) From Canada

NOTE 27 SUBSEQUENT EVENTS

27.1 Dividend

On April 11, 2022, the Corporation's Board of Directors approved a semi-annual dividend of \$0.01 per share payable on May 17, 2022 to Shareholders of Record as at April 29, 2022.

27.2 New Financing

On January 14, 2022 and January 18, 2022, the Corporation obtained from *Investissement Québec* ("IQ") two bank loans totaling \$20,000,000 to finance its modernization and robotization program at its Terrebonne plant, and are detailed as follows:

- The first of these two bank loans, which will total \$12,300,000, will bear interest at IQ's annual prime rate plus 1.5% and will benefit from a 24-month capital repayment moratorium at the end of which it will be repayable by 96 capital payments of \$128,125 starting in March 2024 and ending in February 2032.

- The second of these two bank loans, which will total \$7,700,000, is interest-free and will benefit from a 36-month capital repayment moratorium, at the end of which it will be repayable by 83 capital installments of \$91,667 beginning in March 2025 to end with a final capital payment of \$91,639 in February 2032.

The disbursements of these bank loans will take place gradually during the implementation of this investment program. These two loans will be guaranteed by a first rank movable hypothec in the amount total of \$24,000,000 on the universality of machinery and equipment, present and future. They will also be subject to compliance with certain financial ratios. As at April 11, 2022, the Corporation has drawn \$15,003,468 on these bank loans.

CORPORATE INFORMATION

INFORMATION AUX ACTIONNAIRES

— Annual Meeting of Shareholders

Wednesday, June 8, 2022 at 11 :00 a.m. (EST)

ADF Group Inc.

300 Henry-Bessemer, Terrebonne, Quebec, Canada J6Y 1T3

ADF Group Inc.'s Annual Shareholders' Meeting will be held via **webcast**. The details and the link to the webcast will become available on the Corporation's website at www.adfgroup.com in the weeks leading up to the Shareholders' Meeting.

— Investor Relations

ADF Group Inc.

300, Henry-Bessemer Street, Terrebonne, Quebec, Canada J6Y 1T3
T. (450) 965-1911 • F. (450) 965-8558 • Email: infos@adfgroup.com

Computershare

1500, Robert-Bourassa, Suite 700, Montréal, Quebec, Canada H3A 3S8
T. (514) 982-7888 • F. (514) 982-7974

— Annual Information Form for the Fiscal Year Ended January 31, 2022

Available at the Corporation's headquarters, as well as on the websites of ADF Group Inc. (www.adfgroup.com) and SEDAR (www.sedar.com).

— Stock Information

The Corporation's securities are listed on the Toronto Stock Exchange under the ticker symbol TSX: DRX. At the date hereof, there were 18,292,099 subordinate voting shares issued and outstanding.

BOARD OF DIRECTORS AND COMMITTEES

(1) Member of the Audit Committee / (2) Member of the Compensation, Nomination and Governance (CNG) Committee

Jean Paschini

Chairman of the Board of Directors
Chief Executive Officer, ADF Group Inc.

Pierre Paschini, P.Eng.

President and Chief Operating Officer,
ADF Group Inc.

Marise Paschini

Executive Vice President, Treasurer and
Corporate Secretary, ADF Group Inc.

Myriam Blouin ^{(1) (2)}

Chair of the CNG Committee, ADF Group Inc.
Human Resources Consultant, Axe HO

Danilo D'Aronco, P.Eng. M.Eng.

Consulting Engineer for
D'Aronco Pineau Hébert Varin Inc., Sigmax Inc.
and AXNOR Consultants Inc.

Me Richard Martel ^{(1) (2)}

Esquire (ret.)

Guy Pelletier, CPA, CA, ASC ^{(1) (2)}

Chair of the Audit Committee, ADF Group Inc.
Corporate Director

Jean Rochette, MBA, ASC ^{(1) (2)}

Independent Board Leader of ADF Group Inc.
President and Director of Les Produits Neptune Inc.
President and Director of Distribution Assisto Canada Inc.

COORDINATES

Head Office

ADF Group Inc.
300 Henry-Bessemer
Terrebonne, Quebec, Canada J6Y 1T3

Main Subsidiary

ADF International Inc.
Great Falls, Montana, U.S.A.
Pompano Beach, Florida, U.S.A.

Independent Auditor

PricewaterhouseCoopers, LLP
1250 René-Lévesque Boulevard West, Suite 2500
Montréal, Quebec, Canada H3B 4Y1

Transfer Agent and Registrar

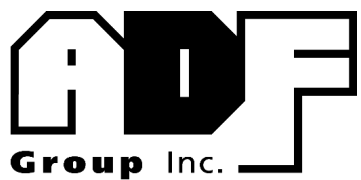
Computershare Trust Company of Canada
1500 Robert-Bourassa Boulevard, Suite 700
Montréal, Quebec, Canada H3A 3S8

Financial Institution

National Bank of Canada
600 de la Gauchetière Boulevard West
Montréal, Quebec, Canada H3B 4L2

Law Firm

Fasken Martineau DuMoulin, LLP
Exchange Tower, 800 Square Victoria, Suite 3400
Montréal, Quebec, Canada H4Z 1E9



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

Ce document est aussi disponible en français.

ADF GROUP INC.

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T. (450) 965-1911 / 1 *800) 263-7560
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Toronto Stock Exchange: TSX: **DRX**