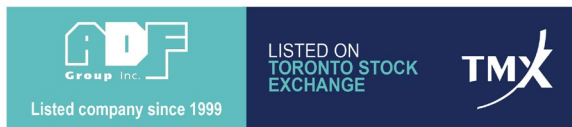


MANAGEMENT'S DISCUSSION AND ANALYSIS of the Financial Position and Operating Results

Fiscal Year Ended on 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

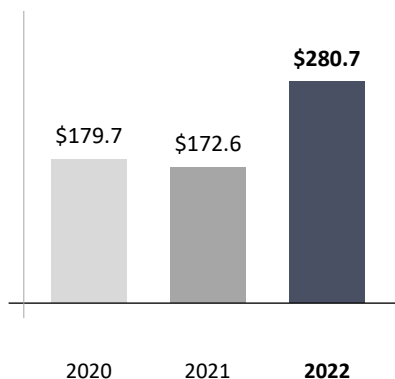
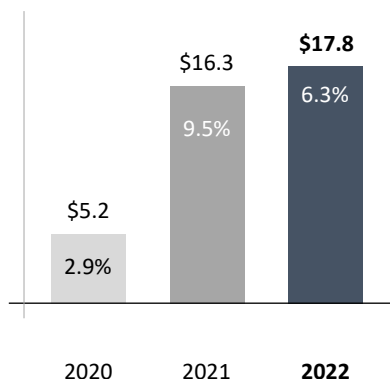
These forward-looking statements include information concerning ADF Group's probable or foreseeable future operating results and financial position, and involve certain risks and uncertainties with regard to their future realization. These forward-looking statements are based on currently available data 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.

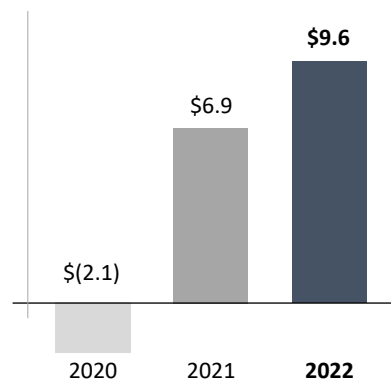
FINANCIAL HIGHLIGHTS

Fiscal years ended January 31,

Revenues (in millions \$)

Adjusted EBITDA ⁽¹⁾ (in millions \$ and % of revenues)

Net Income (in millions \$)



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.

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 a 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

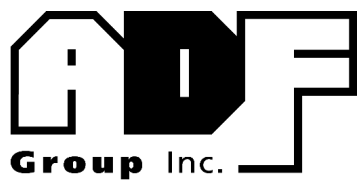
/ Signed /

Chief Financial Officer

Terrebonne, Quebec, Canada, April 11, 2022

/ Signed /

Executive Vice-President, Treasurer and Corporate secretary



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.

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