

AUTOMODULAR CORPORATION

ANNUAL INFORMATION FORM
for the year ended December 31, 2005

March 31, 2006

AUTOMODULAR CORPORATION

CONTENTS OF AIF

1.	GENERAL INFORMATION.....	4
2.	CORPORATE STRUCTURE	4
2.1	Name, Address and Incorporation	4
2.2	Intercorporate Relationships.....	4
3.	GENERAL DEVELOPMENT OF THE BUSINESS	5
3.1	Three Year History	5
4.	NARRATIVE DESCRIPTION OF THE BUSINESS	9
4.1	General.....	9
4.2	Business of Subsidiaries	10
4.2.1	Automodular Corporation (legal entity).....	10
4.2.2	Automodular Assemblies Inc.	10
4.2.3	Automodular Assemblies (DE) Inc.....	11
4.2.4	Tec-Mar Distribution Services, Inc.....	11
4.2.5	Automodular Assemblies (Ohio) Inc.....	11
4.3	Sales.....	11
4.4	Principal Properties.....	12
4.5	Employees	12
4.6	Competitive Conditions	12
4.7	Economic Dependence.....	13
4.8	Changes to Contracts	13
4.9	Cyclicality	13
4.10	Foreign Operations.....	13
4.11	Risk Factors	13
4.12	Outlook	13
5.	DIVIDEND POLICY	14
6.	DESCRIPTION OF CAPITAL STRUCTURE	14
7.	MARKET FOR SECURITIES.....	14
8.	DIRECTORS AND OFFICERS.....	15
8.1	Name, Occupation and Group Security Holdings	15
8.2	Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions	16
8.3	Conflicts of Interest	17
9.	LEGAL PROCEEDINGS.....	17
10.	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	17
11.	TRANSFER AGENTS AND REGISTRAR	17
12.	MATERIAL CONTRACTS	18
13.	INTERESTS OF EXPERTS.....	18

14. AUDIT COMMITTEE DISCLOSURE 18
14.1 Composition of the Audit Committee..... 18
14.2 Relevant Education and Experience 18
14.3 External Auditor Service Fees (by Category) 19

15. ADDITIONAL INFORMATION 19

Schedule A..... 20

1. GENERAL INFORMATION

Unless otherwise indicated, the information contained in this Annual Information Form is current as of March 31, 2006. All amounts are in Canadian dollars unless otherwise indicated.

This Annual Information may contain forward looking statements. A number of matters discussed herein relate to potential future circumstances and developments and may not specifically deal with historical or current facts. Forward looking statements may include financial and other projections, as well as statements regarding future plans, objectives or performance, or our underlying assumptions. The words "estimate", "anticipate", "believe", "expect", "intend" or other similar expressions are intended to identify forward looking statements. Forward looking information involves certain risks, assumptions, uncertainties and other factors which may cause actual future results to differ materially from those expressed or implied in any forward looking statements. In Automodular's case, these factors principally relate to the risk with the automotive industry and include, but are not limited to: the effect of new accounting standards on our financial results; our ability to identify, close and integrate acquisitions; the ability to finance new business requirements; global economic conditions; fluctuations in interest and exchange rates; the continuation and extent of outsourcing by automotive manufacturers; our ability to meet customer needs relating to cost and quality; labour issues or disruptions; customer pricing pressures; actual levels of program production volumes differing from original expectations; our dependence on certain platforms; our relationship with and dependence on General Motors Corporation ("GM"), General Motors of Canada Limited ("GM Canada") and Ford Motor Company of Canada, Limited ("Ford"); new program launch risks and other changes in the business environment in which we operate. We do not intend, nor do we undertake any obligation, to update or revise any forward looking statements to reflect subsequent information, events, results, circumstances or otherwise. Persons reading this Annual Information Form are cautioned that such statements are only estimates and that our actual future results or performance may be materially different due to inherent risks and uncertainties surrounding future expectations, assumptions not being realized, changes in facts or other unforeseen circumstances. Except to the extent required by law, we do not undertake any obligation to update or revise any forward looking statements to reflect subsequent information, events, results, circumstances or otherwise.

2. CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

Automodular Corporation ("Automodular" or "the Corporation") was incorporated by letters patent under the laws of Ontario on May 7, 1957 as Algonquin Building Credits Limited. By Articles of Amendment dated December 3, 1976, the name was changed to Algonquin Mercantile Corporation and by Articles of Amendment dated June 4, 2001, the name was changed to Automodular Corporation. Automodular is governed by the *Business Corporations Act* (Ontario) for corporate law purposes and is a reporting issuer under the *Securities Act* (Ontario) and under the *Securities Act* (British Columbia).

The head and registered office of Automodular is located in Toronto, Ontario. The mailing and electronic addresses, facsimile and telephone numbers are as follows:

20 Toronto Street, Suite 420, Toronto, Ontario M5C 2B8

Telephone: (416) 861-0662 Fax: (416) 861-0063

website: <http://www.automodular.com>

e-mail: invest@automodular.com

2.2 Intercorporate Relationships

All of the Corporation's subsidiaries are wholly-owned, either directly or indirectly. (Automodular and its subsidiaries are sometimes collectively referred to herein as the "Company"). The material subsidiaries of Automodular include the following:

<u>NAME</u>	<u>INCORPORATION / AMALGAMATION</u>	<u>OWNERSHIP</u>	<u>NATURE OF BUSINESS</u>
Automodular Assemblies Inc. ("AAI")	<i>Business Corporations Act</i> (Ontario)	100% owned by Automodular	The supply of modular sub-assemblies and sequenced components to GM Canada in the Oshawa, Ontario area
Tec-Mar Distribution Services, Inc. ⁽¹⁾ ("Tec-Mar")	<i>Act 284, Public Acts of 1972</i> (Michigan)	100% owned by AAI	The supply of modular sub-assemblies and sequenced components to GM's Michigan facilities
Automodular Assemblies (Ohio) Inc. ("AAI(OH)")	Delaware General Corporate Law <i>DEL. C. Section 101-398</i> (Delaware)	100% owned by Tec-Mar	The supply of modular sub-assemblies and sequenced components to one of GM's Ohio facilities

(1) *Tec-Mar was formed by the amalgamation effective December 31, 2004 of Tec-Mar Distribution Services, Inc., a Michigan corporation, and its parent corporation, Automodular Assemblies (DE) Inc., a Delaware corporation. Both predecessor corporations had been indirect wholly-owned subsidiaries of Automodular.*

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three Year History

The following is a summary of the significant developments during the preceding 3 completed years of the Corporation.

2003 Developments

The year 2003 began on a strong note but the Company encountered major challenges by year end. In January, 2003, Automodular completed the acquisition of Tec-Mar Distribution Services, Inc., a privately-held Michigan-based company with 450 employees and 4 plant locations in Michigan supplying modular sub-assemblies and sequenced components to GM's Michigan facilities. Tec-Mar was acquired for a purchase price of approximately \$28.9 million (net of cash acquired). This acquisition effectively doubled the size of the Company at the time.

In conjunction with the acquisition of Tec-Mar, Automodular negotiated a \$17.5 non-revolving term credit facility and a US \$5 million bridge facility with its banker to partially fund the Tec-Mar acquisition. The bridge facility was repaid upon closing.

In July, 2003, Tec-Mar brought on stream a 210,000 square foot facility in Lansing, Michigan to provide sequencing and sub-assembly services for GM's Lansing Grand River assembly plant which services the Cadillac family of automobiles.

In August, 2003, the 2-day power outage in Ontario and eastern United States adversely affected most of the Company's plants, causing lost production and higher expenses.

Automodular's third quarter break-even performance resulted in non-compliance with a bank covenant and a decision by its Board of Directors to omit the third quarter dividend. Subsequently, Automodular's bank waived the non-compliance and negotiated revised banking terms.

In November, 2003, the members of the International Union, United Automobile, Aerospace and Agricultural Workers of America ("UAW") local 2410 which represented workers at AAI(DE)'s Wilmington, Delaware's sequencing and sub-assembly facility ratified a 3-year contract and ended a 3-week strike at the facility.

In November, 2003, the registered and head office of the Corporation was relocated from Whitby, Ontario to Toronto, Ontario.

In 2003, the Company exceeded GM's definition of a "world class" supplier which is defined as a supplier having a parts per million ("PPM") defect rate of less than 25.

In 2003, production of Saturn-L Series vehicles by GM at its Wilmington, Delaware facility was reduced by half thereby adversely impacting AAI(DE)'s operations at its New Castle facility.

In 2003, the rapid rise in the strength of the Canadian dollar against the United States dollar reduced Automodular's net earnings by approximately \$0.5 million.

2004 Developments

The year 2004 was a difficult year for the Company although there were some positive developments.

Automodular's Board of Directors decided to omit the first quarter 2004 dividend in light of certain strategic initiatives it was considering and the uncertainty surrounding AAI(DE)'s operations. No dividends were declared by Automodular in 2004 or 2005.

In March, 2004, GM announced the termination of Saturn-L Series vehicle production in Wilmington, Delaware, effective at the end of the second quarter 2004, about 1 year earlier than expected. Automodular elected not to bid on sequencing orders for the new GM vehicles to be produced in Wilmington and, as a result, the New Castle facility of AAI(DE) was closed down and AAI(DE)'s staff was laid off prior to year-end.

In March, 2004, GM Canada notified AAI that it would not be extending its purchase order for commodities currently sequenced for its Oshawa car plant by AAI from its Pickering, Ontario facility beyond June 2004. Consequently, the Pickering facility was closed in the fourth quarter 2004.

In March, 2004, Automodular received contracts to sub-assemble and sequence components for the new Chevrolet Cobalt and Pontiac Pursuit vehicles to be produced in GM's Lordstown, Ohio assembly plant. In May 2004, AAI(OH) was incorporated to carry out these new contracts. In October 2004, AAI(OH) commenced start-up production in a new 70,000 square foot plant in Lordstown, Ohio leased by AAI(OH). The start-up was problem-free and on-time. Full volume production commenced in January 2005.

In March, 2004, Automodular was notified that the National Automobile, Aerospace, Transportation and General Workers Union of Canada ("CAW") made an application for certification to become the collective bargaining agent on behalf of certain employees at its 3 Canadian plants. The union was successful in the representation vote held in April. In September 2004, Automodular reached agreement with the CAW on its first labour contract for its Oshawa area workers. The contract is for a term of 3 years.

Also on the labour front, in the third quarter 2004, Automodular successfully negotiated a 3-year extension of its contract with the UAW for its Michigan-based operations.

In May, 2004, Automodular received an order from GM Canada to sub-assemble and sequence cockpit modules for GM Canada's Oshawa Car Assembly Plant's GMX 211/231 Chevrolet Impala and Monte Carlo vehicles. Production commenced in May 2005.

In May, 2004, Automodular entered into an agreement to lease a new 108,000 square foot plant in Oshawa, Ontario, to consolidate its Canadian car operations and to accommodate new business contracts. Plant

construction was completed before year end. In early 2005, Automodular relocated sub-assembly operations from one of its Whitby area plants to the new facility.

In the fourth quarter 2004, Automodular was advised by GM that it was unsuccessful in its bid to extend and expand its contracts covering operations at Tec-Mar's Lansing, Michigan plants. The then current contracts originally expired in late 2005, 2006 and 2007. Automodular made the decision to close its Lansing facilities, assuming no new business awards, and to transfer the Lansing business to a competitor.

As a result of poor operating results, Automodular failed to meet a banking covenant at December 31, 2004. Automodular's bankers continued to extend credit and Automodular subsequently renegotiated its banking facilities and obtained a waiver of the covenant breach.

In 2004, the Company exceeded General Motor's definition of a "world class" supplier which is defined as a parts per million ("PPM") defect rate of less than 25. The PPM defect rate decreased to 16 on a corporate-wide basis, a reduction of 20% compared to 2003.

Effective December 31, 2004, the Company reorganized by amalgamating its Delaware subsidiary, Automodular Assemblies (DE) Inc., with its Michigan subsidiary, Tec-Mar Distribution Services, Inc. The resulting corporation was continued under the laws of Michigan under the name Tec-Mar Distribution Services, Inc.

During the fourth quarter of 2004, the Company completed its annual goodwill and intangible impairment analysis and based on the results obtained, wrote off the goodwill and intangible assets relating to its Michigan-based operations.

2005 Developments

The year 2005 was another challenging year for the Company but was also one of significant achievements. During the first two quarters of 2005, as a result of poor demand for certain vehicles for which the Company provides services, related GM production facilities were idled in order to reduce inventory levels. This unexpected downtime resulted in lower earnings for the Company. Effective January 1, 2005, operations at GM's facility in Pontiac, Michigan were reduced from 3 shifts to 2 shifts which required the Company to reduce its Pontiac operations to 2 shifts and reduced the profitability of Tec-Mar's Pontiac, Michigan plant.

In the first quarter of 2005, for the first time in the history of the Company, Automodular was awarded contracts from Ford.

In the first quarter, Automodular was awarded new contracts to assemble complex sub-assemblies for North American OEMs and their Tier 1 suppliers totaling over \$350 million and renewal contracts totaling approximately \$60 million. The contracts vary in length from 3 to 8 years. The largest portion of the contracts is with Ford and, to facilitate these contracts, the Company entered into a long-term lease for a 265,000 square foot facility in Oakville, Ontario. Operations at the Oakville facility are scheduled to commence in 2006.

During the first quarter, AAI(OH) negotiated an initial 3-year union contract with the UAW for employees in its Ohio-based operations.

In the first quarter of 2005, Automodular sold its surplus Whitby (Forbes Street) facility for \$2.5 million and realized a profit of approximately \$0.8 million on the sale. Operations at the facility were relocated to Automodular's new Oshawa plant.

In May, 2005, the Board of Directors approved a Rights Offering (the "Offering") whereby eligible shareholders were given the opportunity to acquire additional common shares of the Corporation. Under the terms of the offering, common shareholders received 1 right for each common share held. For every 6 rights, an eligible shareholder was entitled to purchase 1 common share at the subscription price of \$0.75 per common share. The Offering was oversubscribed. In June 2005, Automodular issued 3,000,000 shares for gross proceeds of \$2,250,000.

In May, 2005, Automodular received a contract renewal for the sub-assembly and sequencing business carried out in its Whitby, Ontario facility which increased the value of its renewal contracts to \$125 million.

In June, 2005, Automodular received a contract from a Tier 1 automotive manufacturer to sub-assemble and sequence components in Oshawa. To support the contract, Automodular signed a 3-year lease on a facility in the Oshawa, Ontario vicinity and production commenced July, 2005.

In August, 2005, Automodular reached agreement to settle outstanding litigation for payment to Automodular of \$11 million. The proceeds were received in October, 2005 and are being used to partially fund capital requirements associated with new business awards.

In October, 2005, Automodular received a new contract to sub-assemble and sequence automotive modules from Ford, scheduled to commence October, 2006. This contract will fill the remaining space in the Company's new Oakville facility which is now expected to employ more than 400 personnel.

In the fourth quarter of 2005, GM Canada announced the elimination of 1 shift of production in its Oshawa car plant #1 in the second half of 2006. The Company believes this will adversely impact approximately 50 Automodular employees. At the same time, GM Canada announced plans to shut down its Oshawa car plant #2 when the current production line runs out in 2008. Automodular does not expect to be materially impacted by this closure.

The transition of Tec-Mar's Lansing, Michigan business to a competitor was ongoing during 2005 and is expected to continue into 2006.

In December, 2005, Tec-Mar entered into an agreement to settle remaining lease obligations on its redundant facility in Lansing, Michigan. Under the terms of the settlement, Tec-Mar made an immediate payment to the Landlord of US\$1,350,000. The settlement will reduce Tec-Mar's leasehold obligations by approximately \$2,000,000. Tec-Mar's remaining Lansing facility is expected to cease operations mid-2006 and will no longer provide services to GM's Lansing Grand River assembly plant.

In December, 2005, Automodular signed an amended banking agreement with its corporate bankers extending a \$5 million term loan and renewing a \$5 million operating line. Together with cash on hand of approximately \$10 million and anticipated equipment financing of approximately \$6 million, the banking agreement substantially completed the funding required by the Company to complete its \$22 million expansion in Oakville, Ontario.

On December 20, 2005, all of AAI's outstanding Class X shares were exchanged into 7,000,000 common shares of the Corporation pursuant to an exchange agreement dated June 20, 2001. The shares were issued by Automodular from treasury.

The Company's quality performance declined in 2005 when the PPM defect rate increased from 16 in 2004 to 24 in 2005. This was partly due to the more complex sequencing work which the Company undertook in 2005 and partly due to the occurrence of a higher PPM defect rate during the launch phase for the Company's new Oshawa, Ontario car operations. However, the Company continues to meet GM's definition of a "world class" supplier which is defined as a parts per million ("PPM") defect rate of less than 25.

Subsequent Developments in 2006

Subsequent to year-end, the Company signed a \$6 million equipment financing agreement to facilitate the purchase of capital assets required for the new Ford program. This facility is to be repaid over a 6-year term.

The Company was informed by GM that it was unsuccessful in its bid for an expansion of its Pontiac, Michigan operations and, in accordance with the terms of the bid, will cease to operate in Pontiac in mid-2006. The Pontiac operations reported revenues totaling approximately \$15 million (US\$12 million) during 2005 and employed 180 people.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 General

Automodular is engaged through its subsidiaries in the sequencing and sub-assembly of modules of automobile parts for installation in cars and trucks being assembled by its customers. Sequencing means that the sub-assembled modules, such as an instrument panel or a radiator support, arrive at the customer's final assembly plant in precisely the sequence of their final installation in each vehicle and at precisely the time they are to be installed.

Automodular's operating mission statement is *"to be the world class assembler and sequencing operation to the automotive manufacturers"*. The Company strives to meet or exceed its customers' expectations and to be competitive through continuous improvement. The Company's goal is zero defects.

Automodular's core values reflect its commitment to this mission statement. They include the following:

- Highest quality in all aspects of the Company's business
- Teamwork
- Commitment to customer satisfaction
- Respect for the individual
- Continuous improvement
- Long-term growth and profitability

From its head office in Toronto, Ontario, Automodular provides management services to its subsidiaries in the form of administrative, financial, banking, treasury and insurance services. Head office staff is also engaged in strategic and corporate development and planning, communications and investor relations for the Company.

The Company is a supplier of sub-assembly, sequencing, transportation and logistics services to 6 OEM plants in Ontario, Michigan and Ohio. The Company has 7 operating facilities and employs over 800 people. The Company provided sequencing and sub-assembly service for 1.5 million vehicles in 2005.

The Company provides services for the following platforms:

Truck plants:	Oshawa, ON	Chevrolet Silverado GMC Sierra
	Pontiac, MI	Chevrolet Silverado GMC Sierra
Car plants:	Oshawa, ON (2)	Chevrolet Impala Chevrolet Monte Carlo Pontiac Grand Prix Buick Allure Buick Lacrosse
	Lansing, MI	Cadillac CTS Cadillac SRX Cadillac STS
	Lordstown, OH	Chevrolet Cobalt Pontiac Pursuit

All of the Company's business is contract business. Until 2005, the Company operated almost exclusively as a Tier 2 supplier to GM and GM Canada. In 2005, the Company won a major business contract from Ford. The Company

typically does not take title to any materials incorporated into its assemblies. The Company has responsibility for process design but not parts design.

Contracts are typically from 3 to 5 years but some are as long as 8 years. The Company bids on contracts to sub-assemble particular commodities for particular vehicles at a time prior to the launch of the vehicle design. From the time the first vehicle until the last one of that particular design rolls down the assembly line, the Company ships one of each sub-assembly it is sequencing for that vehicle to the customer for each vehicle being assembled. The Company receives orders every 5 seconds and ships completed assemblies within 2 hours of receiving the respective orders. Given the tight timeline, the Company's plants are generally located within 5 to 10 km of the assembly plants. The Company is an integral part of the supply chain and fundamental to the cost efficient final assembly of vehicles. The Company must deliver modules that meet the quality requirements of its customers; it must deliver them on time, every time; and it must deliver them at a cost that makes it more profitable for its customers to use its services than to do the same work themselves.

Growth for the Company comes primarily from new contracts and therefore comes in "lumps". The Company has bid and continues to bid for new contracts with GM, GM Canada, Ford, Tier 1 suppliers and other OEMs.

4.2 Business of Subsidiaries

4.2.1 Automodular Corporation (legal entity)

Automodular transacts its Oakville business through Automodular Corporation. Automodular's Oakville operations are on target to commence full commercial production in the fourth quarter of 2006. From a size perspective, the operations will be of the same scope as the Company's existing Oshawa operations. The contracts are for the sub-assembly and sequencing of complex modules for Ford's new cross-over utility vehicles - the Ford Edge and Lincoln MKX. Automodular took occupancy of its Oakville facility in the first quarter of 2006. The launch team members all have extensive experience with OEMs and/or Tier 1 suppliers and workforce hiring is underway. These contracts require the Company to expend approximately \$22 million in capital and pre-production costs. These costs are built into the variable piece price and will be financed by the renewal of existing credit facilities and the new equipment financing arrangements described earlier coupled with existing cash from operations.

4.2.2 Automodular Assemblies Inc.

Effective October 31, 1997, the Corporation acquired 100 percent of AAI, a privately-held company which supplied modular sub-assemblies to GM Canada's Oshawa car and truck operations.

AAI continues to supply the Oshawa car and truck operations of GM Canada. In January, 2002, AAI relocated production to its new 183,000 square foot sequencing facility in Whitby (Montecorte Street), Ontario from 2 of its Pickering, Ontario plants. In March, 2004, GM Canada announced that it would not extend its purchase order for certain commodities sequenced for GM Canada by AAI at AAI's remaining Pickering plant. The purchase order expired in June, 2004 and the last Pickering plant was closed in the fourth fiscal quarter 2004. The lease for this Pickering plant expired at the end of 2004.

In May, 2004, AAI received an order from GM Canada to sub-assemble and sequence cockpit modules for the GMX211/231 Chevrolet Impala and Monte Carlo vehicles produced at the Oshawa Car Assembly Plant. Production commenced in May, 2005.

In 2005, AAI took occupancy of a newly constructed and leased 108,000 square foot plant in Oshawa, Ontario in order to consolidate its Canadian car operations and to accommodate new business contracts. Early in 2005, AAI relocated sub-assembly operations from its Whitby (Forbes Street), Ontario plant to the new facility. The Whitby (Forbes Street) plant was sold by Automodular during the first quarter of 2005. AAI is bidding for further sequencing contracts for GM Canada's Oshawa car and truck plants.

In May, 2005, AAI received a contract renewal for the sub-assembly and sequencing business carried out in its Whitby (Montecorte Street), Ontario facility. In June 2005, Automodular received a contract from a Tier 1 automotive manufacturer to sub-assemble and sequence components in Oshawa. Production commenced July, 2005.

4.2.3 Automodular Assemblies (DE) Inc.

In June, 1998, the Company received a contract to be the major sub-assembler and sequencer for the new Saturn-L Series vehicle then being produced by GM at its Boxwood facility in Wilmington, Delaware. AAI (DE) was incorporated as a subsidiary of AAI to carry on the business of the Company in Delaware. In March, 2004, GM announced the termination of Saturn-L Series vehicle production in Wilmington, effective at the end of June, 2004. AAI(DE) declined to bid on sequencing and sub-assembly contracts for the 2 new vehicles which GM announced would commence production at its Boxwood plant in Wilmington. AAI(DE) closed its New Castle facility and ceased operations prior to 2004 year end. Effective December 31, 2004, AAI(DE) was amalgamated with its wholly-owned Michigan subsidiary, Tec-Mar Distribution Services, Inc. The amalgamated corporation is continuing under the name Tec-Mar Distribution Services, Inc.

4.2.4 Tec-Mar Distribution Services, Inc.

In January, 2003, Automodular indirectly acquired Michigan-based privately-owned Tec-Mar Distribution Services, Inc., which provided sequencing services from four facilities to 4 General Motors plants throughout Michigan. Tec-Mar was amalgamated with its parent corporation, AAI(DE) in December, 2004. The amalgamated corporation is continuing under the name Tec-Mar Distribution Services, Inc.

Tec-Mar was unsuccessful in its 2004 bid to extend and expand its contracts covering operations at its 3 Lansing, Michigan plants and Automodular decided to close its Lansing facilities. The existing Lansing business is in the process of being transferred to a competitor. In December, 2005, Tec-Mar entered into an agreement to settle remaining lease obligations on a redundant facility in Lansing, Michigan. Under the terms of the settlement, Tec-Mar made an immediate payment to the landlord of US\$1,350,000. Tec-Mar's remaining Lansing facility is expected to cease operations mid-2006 and Tec-Mar will no longer provide services to the GM Lansing Grand River assembly plant.

The Company was informed by GM that it was unsuccessful in its bid for an expansion of its Pontiac, Michigan operations and, in accordance with the terms of the bid, will cease to operate in Pontiac in mid-2006. The Pontiac operations reported revenues totaling approximately \$15 million (US\$12 million) during 2005 and employed 180 people.

4.2.5 Automodular Assemblies (Ohio) Inc.

In March, 2004, the Company was awarded contracts to sub-assemble and sequence components for the new Chevrolet Cobalt and Pontiac Pursuit vehicles to be produced in GM's Lordstown, Ohio assembly plant. In May, 2004, AAI(OH) was incorporated to carry on the Ohio business. In October, 2004, AAI(OH) commenced start-up production in a newly constructed and leased 70,000 square foot plant in Lordstown, Ohio. Full volume production commenced in January, 2005. The Company is bidding on additional contracts in order to better leverage the Ohio resources.

4.3 Sales

The Company operates in one business segment, which is the sequencing and sub-assembly of modules of automobile parts for installation in cars and trucks being assembled by its customers. Sales attributable to geographical locations based on the location of the customer are as follows:

		2005	2004
Canada		\$35,182,000	\$38,033,000
United States		\$44,028,000	\$55,504,000
Total		\$79,210,000	\$93,537,000

4.4 Principal Properties

The Company operates more than 1.2 million square feet of plant and office space in North America. The following are plants leased by the Company as at the date hereof:

CANADA	UNITED STATES
200 Montecorte Street, Whitby, Ontario	1701 Henn Parkway, Lordstown, Ohio
940 Thornton Road South, Oshawa, Ontario	500 Centrepointe, Pontiac, Michigan
1049 Squires Beach Road, Unit 3, Pickering, Ontario	16150 Grove Road, Lansing, Michigan
2335 Speers Road, Oakville, Ontario	

The Company leases an administrative office at 20 Toronto Street, Suite 420, Toronto, Ontario.

The Company is leasing temporary office space at 25201 Brest Road, Taylor, Michigan for its Ford contracts.

In February, 2005, Automodular entered into an agreement to sell its Forbes Street, Whitby facility for \$2.5 million. Automodular realized a profit of approximately \$0.8 million on the sale which closed in the first quarter of 2005. Operations at the facility were relocated to Automodular's new Oshawa plant.

4.5 Employees

Automodular employs in excess of 800 people at its 7 operating plants located in Canada and the US and at its Toronto, Ontario head office. In Canada, 457 hourly employees are covered by a 3-year collective agreement with the CAW expiring in 2007 and 200 hourly employees in Michigan are covered by a 3-year collective agreement with the UAW expiring in 2008. In 2005, the Company negotiated an initial 3-year collective agreement with the UAW for its 49 hourly employees in Ohio. The Company considers relations with its employees to be satisfactory.

4.6 Competitive Conditions

The Company operates in a difficult competitive environment. The automotive industry is extremely competitive as is the sequencing and sub-assembly industry.

Vehicle assembly plants must drive down costs to survive, while delivering the increasingly high quality consumers demand. With final assembly costs typically less than 10% of total vehicle costs, the Company's customers must rely on suppliers' productivity and diligence to achieve competitive vehicle costs and quality. The Company must continually find new and innovative ways to reduce costs.

The success of the Company is determined by 3 parameters. The Company must deliver modules that meet the quality requirements of its customers and of their customers; it must deliver them on time, every time; and it must deliver them at a cost that makes it more profitable for its customers to use its services than to do the same work themselves or to award the business to one of the Company's competitors.

The Company enters into long-term contracts with its customers. The contracts often contain price concessions over the contract term. The Company's goal is to reduce or eliminate this erosion of profitability by cost reductions

realized through continuous improvement programs. As a result of the competitive automotive environment, pricing pressures have intensified and customers continue to demand additional price reductions beyond existing contractual commitments which could have an adverse impact on the Company's future earnings.

The Company has recognized that it is difficult to compete on some of the less complex sequencing work when bidding against significantly larger competitors who are able to bring economies of scale to bear. Automodular is focusing its business development efforts on more complex sub-assembly services which contain a higher value added element.

During 2005 several automotive suppliers were forced to undergo restructuring either through Chapter 11 in the United States or receivership in Canada. These situations may impact the Company in 2 ways: the Company may be exposed to credit risk for those contracts with the Tier 1 suppliers; and, such filings create a level of unease in the lending community which makes it more difficult for the Company to finance capital and pre-production costs of new contract awards.

4.7 Economic Dependence

The Company operates as a Tier 2 supplier to GM, GM Canada and Ford and is subject to continuous pressure for cost reductions. The Company is focused on broadening its customer base by seeking business from Tier 1 suppliers and other North American OEMs.

4.8 Changes to Contracts

Please see the "2005 Developments" section on page 7 of this Annual Information Form for a detailed discussion of changes to contracts.

4.9 Cyclical

The automotive industry is cyclical and impacted by various economic and political factors including interest rates, consumer demand and international conflicts. Poor consumer demand for vehicles that the Company provides services for may result in unplanned downtime which adversely impacts earnings of the Company. Company earnings are primarily based on a variable piece price and many of the Company's costs are fixed.

4.10 Foreign Operations

At the present time, more than 50% of the Company's operations are in the US. Continued strength of the Canadian dollar versus the US dollar would adversely reflect the reported results of the Company.

4.11 Risk Factors

In addition to the foregoing, the Company incorporates by reference the disclosure contained in the sections entitled "Company and Industry Overview" and "Industry Risks" contained in its *Management's Discussion and Analysis* for the year ended December 31, 2005 which is available on the SEDAR website www.sedar.com as well as on the Company's website at www.automodular.com.

4.12 Outlook

The Company does not expect to see earnings growth until 2007. At such time, full-scale production should be achieved in Company's new facilities and the costs of closing excess facilities will have been recorded.

The Company incorporates by reference the disclosure contained in the section entitled "2006 Outlook" contained in its *Management's Discussion and Analysis* for the year ended December 31, 2005 which is available on the SEDAR website www.sedar.com as well as on the Company's website at www.automodular.com

5. DIVIDEND POLICY

In 2001, the Board of Directors approved a dividend policy whereby the Corporation paid regular quarterly dividends at a rate of \$0.07 per common share for an aggregate dividend of \$0.28 per share per annum. Automodular paid dividends at this rate in the year 2002 and for the first three quarters of 2003. The Directors decided to omit the dividend scheduled for the fourth quarter 2003. The Board of Directors did not declare any dividends in 2004 or 2005. The Directors have made no determination as to when to reinstitute dividends or as to the dividend rate should they decide to do so. The Board of Directors will continue to review funds available for the payment of dividends on a regular basis. Any future determination to pay dividends will be at the discretion of the Board of Directors and will depend upon the results from operations, capital requirements and such other factors as the Board of Directors considers relevant. Currently, the Corporation is restricted from paying dividends under an amendment to its banking agreement.

6. DESCRIPTION OF CAPITAL STRUCTURE

Common Shares:

The authorized capital of Automodular consists of an unlimited number of Common Shares without nominal or par value. As at December 31, 2005, there were issued and outstanding 22,049,233 Common Shares. Holders of common shares are entitled to receive notice of, to attend all meetings of shareholders and to vote thereat on the basis of 1 vote per share held.

Class X Shares:

On December 20, 2005 all of AAI's outstanding Class X shares were exchanged into 7,000,000 common shares of the Corporation pursuant to an exchange agreement dated June 20, 2001. The shares were issued by Automodular from treasury.

7. MARKET FOR SECURITIES

The common shares of Automodular are listed on the Toronto Stock Exchange ("TSX") under the symbol "AM".

The table below shows the monthly price range per share and the trading volumes of the Common Shares of the Corporation on the TSX for the year ended December 31, 2005.

COMMON SHARES			
Month	High \$	Low \$	Volume
January 2005	1.70	1.40	25,500
February 2005	1.60	1.38	56,100
March 2005	1.55	1.02	52,000
April 2005	1.15	0.80	101,300
May 2005	0.98	0.72	32,400
June 2005	0.98	0.70	194,800
July 2005	1.09	0.80	99,300
August 2005	1.24	0.81	107,600

September 2005	1.30	1.05	95,300
October 2005	1.35	1.10	289,200
November 2005	1.29	0.90	242,562
December 2005	0.95	0.63	364,407

8. DIRECTORS AND OFFICERS

8.1 Name, Occupation and Group Security Holdings

The following tables set out, for each of the Corporation's directors and officers the person's name, province or state and country of residence, position(s) with the Corporation, principal occupation and the date on which the person became a director or officer. All directors hold office until the next annual meeting of the Company or until the director resigns or a successor is duly elected or appointed.

As a group, the directors and officers of the Corporation beneficially own, directly or indirectly, or exercise control or direction over 15,601,351 common shares of the Corporation representing 70.8% of the issued and outstanding common shares of the Corporation.

Directors

Name and province or state and country of residence	Director since	Principal office with the Corporation, its significant affiliates and/or principal occupation during the 5 preceding years
Russell M. Baranowski, Ontario, Canada	1997	Before his retirement June 30, 2005, President of the Corporation
Michael F. Blair, Ontario, Canada	1989	Chief Executive Officer of the Corporation
Andrew Brenton, Ontario, Canada	2001	Managing Partner, Scotia Merchant Capital (merchant banker)
Garth Davis, Ontario, Canada	2001	Partner, Scotia Merchant Capital (merchant banker)
Henry J. Knowles, Ontario, Canada	1989	Business & Financial Consultant Prior to January 1, 2003, Counsel to the law firm of Sheldon•Huxtable
R. Peter McLaughlin, Ontario, Canada	2000	President, Greenbriar Holdings Limited (investment company)
James Rodgers, Ontario, Canada	2002	President, Cames Consulting Inc. (consulting company specializing in servicing the automotive parts manufacturing sector)
Rae E. Wallin, Ontario, Canada	1998	Chairman, President, N-Viro Systems Canada Inc. (bio-solids management company)

The Corporation has an Audit Committee whose current members are Andrew Brenton, Henry J. Knowles (Chairman), R. Peter McLaughlin and Rae E. Wallin.

The Corporation has a Corporate Governance and Nominating Committee whose current members are Andrew Brenton, Henry J. Knowles and R. Peter McLaughlin (Chairman),

The Company does not have an Executive Committee or a Compensation Committee. All significant operating and executive compensation matters are presented directly to the Board for approval.

Officers

<u>Name and province or state and country of residence</u>	<u>Appointed</u>	<u>Principal office with the Corporation and/or principal occupation during the 5 preceding years</u>
Michael F. Blair, Ontario, Canada	1989	Chief Executive Officer
Diane Erlingher, Ontario, Canada	1998	Corporate Secretary
James Gazo, Ontario Canada	2005	Vice-President Canadian Operations
Christopher S. Nutt ⁽¹⁾ , Ontario, Canada	2003	Vice-President Finance and Chief Financial Officer

(1) Before joining Automodular in 2003, Christopher Nutt was a partner in the accounting firm of Smith, Nixon & Co. LLP., Auditors of the Corporation.

8.2 Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, no director, executive officer or principal shareholder of the Corporation is, or has been within the 10 years prior to the date hereof, a director or executive officer of an issuer that, while that person was acting in that capacity, (a) was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days, (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets except for the following;

Mr. Michael F. Blair, a director and Chief Executive Officer of the Corporation, was a director of Beukeboom's Country Fresh Market Inc., a retail food operation and a subsidiary of the Corporation that went into receivership in May, 2000, 2 months after he resigned as a director on March 16, 2000. Beukeboom's ceased to operate as a going concern.

Mr. Andrew Brenton, a director of the Corporation, was a director of RNG Group Inc., a private company which entered interim receivership on February 11, 2002 and was declared bankrupt on October 28, 2002. Mr. Brenton resigned as a director on December 21, 2001.

Mr. Henry J. Knowles, a director of the Corporation, was a director of Triangulum Corporation which had a receiver manager appointed to hold its assets approximately 6 months after he resigned as a director on December 19, 2001. Triangulum Corporation ceased to operate as a going concern.

8.3 Conflicts of Interest

To the knowledge of the Corporation, there are no existing or potential conflicts of interest between Automodular or any of its subsidiaries and any director or officer of Automodular or any of its subsidiaries except as disclosed below in Item 10 "Interest of Management and Others in Material Transactions".

9. LEGAL PROCEEDINGS

The Corporation settled outstanding litigation with West Street Capital (formerly Consolidated Enfield Corporation) in 2005. The litigation commenced in 1995 and concerned alleged oppression in the management of the business of Enfield. In the litigation, Automodular was seeking damages from the defendants, including Hees International Bancorp Inc. (a predecessor of Brascan Corporation). Under the settlement, the Corporation received a payment from Brascan of \$11 million. There has been no admission of liability on the part of any party. The purpose of the settlement was to eliminate the expense and opportunity cost for all parties associated with continued litigation. The settlement received court approval on October 14, 2005 and Automodular received the proceeds of the settlement shortly thereafter.

10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the 3 most recently completed financial years or during the current financial year of the Corporation, to the knowledge of the Corporation, no director or executive officer of the Corporation, no 10% shareholder of the Corporation, and no associate or affiliate of any of them, has or had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the company except as follows:

Mr. T. Daniel Flood, a former director of Automodular, was the President and a substantial shareholder of Tec-Mar, having founded that company in 1992. Automodular acquired all of the outstanding shares of Tec-Mar in January 2003 for approximately \$28.9 million (net of cash acquired). After completion of the Tec-Mar acquisition, Mr. Flood was appointed to the Board of Directors of Automodular. Mr. Flood resigned from the Board in September 2005.

Mr. T. Daniel Flood is also the owner, through a holding company, of two facilities located at 16130 and 16150 Grove Road in Lansing, Michigan which were leased by Tec-Mar pursuant to leases expiring in 2006 and 2008 respectively. The total base 2005 rent paid by Tec-Mar for the 9 months during which Mr. Flood was a director of the Company under the 2 leases was US\$1,599,000. In December 2005, Tec-Mar entered into an agreement to settle remaining lease obligations on 16130 Grove Road. Under the terms of the settlement, Tec-Mar made an immediate payment to the landlord of US\$1,350,000. Operations at Tec-Mar's remaining Lansing facility are expected to cease mid-2006.

11. TRANSFER AGENTS AND REGISTRAR

The Transfer Agent and Registrar of the Corporation is Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1.

12. MATERIAL CONTRACTS

The Company (i) did not enter into any material contracts in 2005 outside the normal course of business, and (ii) has not entered into any material contracts outside the normal course of business since January 1, 2002 which are still in effect.

13. INTERESTS OF EXPERTS

Smith, Nixon & Co. LLP, the external auditors of the Corporation, reported on the 2005 financial statements. Smith, Nixon & Co. has no registered or beneficial interest, direct or indirect, in any securities or other property of the Company.

14. AUDIT COMMITTEE DISCLOSURE

The Audit Committee Charter is attached as Schedule A to this Annual Information Form.

14.1 Composition of the Audit Committee

The members of the Audit Committee are Andrew Brenton, Henry J. Knowles (Chairman), R. Peter McLaughlin and Rae E. Wallin. The members of the Audit Committee are independent and financially literate.

14.2 Relevant Education and Experience

All members of the Audit Committee are financially literate in that they understand internal controls and procedures, are able to understand the accounting principles used by the Company to prepare its financial statements and can assess the application of those principles.

Andrew Brenton holds a B.Sc. degree and an MBA and has more than 20 years of relevant business experience. For the past 8 years Mr. Brenton has been President and Managing Partner of Scotia Merchant Capital, a merchant banking arm of The Bank of Nova Scotia. Scotia Merchant Capital manages \$250 million for The Bank of Nova Scotia for investment in public and private companies. Mr. Brenton was also Managing Director of Scotia Capital, Mergers and Acquisitions where a large number of valuations and fairness opinions were completed by him as principal professional.

Henry J. Knowles is a business and financial consultant with an MBA as well as a Law degree. He spent over 35 years in a corporate financial and legal structuring practice and was also Chairman of the Ontario Securities Commission. Mr. Knowles was also CEO of United Financial Management and taught entrepreneurial business structuring and finance at the University of Toronto.

R. Peter McLaughlin has a B.A. and a Law degree. While in law practice, Mr. McLaughlin was involved primarily in the fields of corporate, commercial and securities law and was involved in many merger and acquisition

transactions from the perspective of both the purchaser and vendor as well as numerous securities related transactions. He is President of Greenbriar Holdings Limited, a private family holding company that invests in new businesses in Ontario. As such he is responsible for review and investigation of business plans and proposals, as well as financial statement review, both prior to and following investment.

Rae E. Wallin is President of N-Viro Systems Canada Inc., a bio-solids management company. Mr. Wallin completed his CMA degree in 1970 and spent 25 years in financial management at General Electric Canada Inc. He was also Vice-President Finance as well as President of Black & Decker Canada. Mr. Wallin has served on boards and audit committees for the past 22 years.

14.3 External Auditor Service Fees (by Category)

Audit and audit related fees for Automodular and its subsidiaries:

External Auditor Services	Fiscal 2005 Fees \$	Fiscal 2004 Fees \$	
Audit fees	79,800	113,000	
Audit-related fees	20,095	25,250	
Tax fees	11,850	24,553	
All other fees	4,865	34,405	
Total	116,610	197,208	

The audit-related fees were incurred for miscellaneous assurance services.

The tax fees were incurred for services consisting of tax compliance, including the preparation and review of tax returns, assistance regarding income, capital and sales tax audits and tax advisory services relating to domestic and international taxation.

The other fees were for research, discussions and general services as requested by management.

15. ADDITIONAL INFORMATION

Additional information relating to Automodular can be found on SEDAR at www.sedar.com or on Automodular's website at www.automodular.com. Financial information is provided in the Corporation's comparative financial statements and management discussion and analysis ("MD&A") for the 2005 financial year. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in Automodular's Management Information Circulars dated March 17, 2005 and May 2, 2005 prepared for its May 5, 2005 annual meeting which was adjourned to May 31, 2005. Securityholders may obtain copies of this Annual Information Form, the Management Information Circulars and the Annual Report containing the MD&A and the audited comparative financial statements for the most recently completed financial year from the Corporation's head office, 20 Toronto Street, Suite 420, Toronto Ontario, Canada M5C 2B8: telephone 416 861 0662x1000 or e-mail invest@automodular.com.

Schedule A

AUTOMODULAR CORPORATION Charter of the Audit Committee

Purpose of the Committee

The Audit Committee's purpose is to provide assistance to the Board of Directors in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of Automodular Corporation (the "Corporation"). Specifically, to foster communication between directors and external auditors, enhance the independence of the external auditors, and to represent the interests of shareholders through oversight of the external auditors on behalf of the shareholders.

It is the objective of the Audit Committee to maintain free and open communications among members of the Board, the committees of the Board, the external auditors and the financial management of the Corporation.

The Audit Committee shall have a written charter setting out its purpose and responsibilities.

Authority and Membership

The Audit Committee (the "Committee") of the Board of Directors (the "Board") is established pursuant to By-law 10, Article 4 and the *Business Corporations Act*, (Ontario) sec. 158 (the "Act"). The Committee shall be comprised of three (3) or more directors as determined from time to time by resolution of the Board. Every member must be independent and financially literate. The meaning of "independent" and "financially literate" shall be determined by reference to Multilateral Instrument 52-110 Audit Committees ("MI 52-110"), articles 1.4 to 1.6, inclusive, articles 3.1(3) and (4), and 3.9. A person who is not financially literate may be appointed to the Committee, provided the member becomes financially literate within a reasonable period of time following their appointment. Members of the Committee shall be elected by the Board at the annual meeting of the Board or at such other time as may be determined by the Board.

The Chairman of the Committee (the "Chairman") shall be designated by the Board, provided that if the Board does not so designate a Chairman, the members of the Committee, by majority vote, may designate a Chairman.

Audit Committee Responsibilities

1. The Committee is responsible for having a written charter setting out its mandate and responsibilities.
2. The Committee is responsible for recommending to the Board:
 - (i) The external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; and
 - (ii) The compensation of the external auditors.
3. The Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting.
4. The Committee must pre-approve all non-audit services to be provided to the Corporation or any of its subsidiary entities by its external auditors.
5. The Committee must review the financial statements, MD&A and annual and interim earnings press releases before the Corporation publicly discloses the information.
6. The Committee must be satisfied that adequate procedures are in place for the review of any disclosure of financial information extracted or derived from the financial statements, other than as covered by item 5 above, and must periodically assess the adequacy of those procedures.
7. The Committee is responsible for establishing procedures for:

- (i) The receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - (ii) The confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
8. The Committee is responsible for reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors.

Pre-Approval of *De Minimis* Non-Audit Services

An audit committee satisfies the pre-approval requirement regarding non-audit services of the external auditor if:

- a. the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiary entities to the issuer's external auditor during the fiscal year in which the services are provided;
- b. the issuer or the subsidiary entity of the issuer, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- c. the services are promptly brought to the attention of the Committee of the issuer and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.

Delegation of Pre-Approval Function

- 1. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of the requirement.
- 2. The pre-approval of non-audit services by any member to whom authority has been delegated pursuant to subsection (1) must be presented to the Committee at its first scheduled meeting following such pre-approval.

Pre-Approval Policies and Procedures

The Committee satisfies the pre-approval requirement in sub-section 2.3(4) if it adopts specific policies and procedures for the engagement of the non-audit services, if:

- a. the pre-approval policies and procedures are detailed as to the particular service;
- b. the audit committee is informed of each non-audit service; and
- c. the procedures do not include delegation of the audit committee's responsibilities to management.

Meetings of the Committee

The Committee shall meet with such frequency and at such intervals as it shall determine is necessary to carry out its duties and responsibilities. The proceedings of all meetings will be minuted.

The Committee may invite such other persons to its meetings as it deems necessary.

The auditor of the Corporation or a member of the Committee may call a meeting of the Committee.

The auditor may attend Committee meetings, is entitled to receive notice of every meeting of the Committee, and at the expense of the Corporation, to attend and be heard thereat, and, if requested by a member of the Committee, shall attend every meeting of the Committee held during the term of office of the auditor. The auditor of the Corporation shall be entitled to attend at the expense of the Corporation and be heard at meetings of the Board of Directors on matters relating to the auditors' duties.

The presence in person or by telephone or other similar means of a majority of the Committee's members shall constitute a quorum for any Committee meetings. All decisions of the Committee will require the vote of a majority of its members present at a meeting at which a quorum is present.

Roles and Responsibilities

1. Financial Reporting

The Committee shall:

- (i) Gain an understanding of the current areas of greatest financial risk and how management is managing these effectively;
- (ii) Consider with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues;
- (iii) Review significant accounting and reporting issues, including recent professional and regulatory pronouncements and understand their impact on the financial statements;
- (iv) Ask management and the external auditors about significant risks and exposures and the plans to minimize such risks;
- (v) Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;
- (vi) Establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (vii) Review any legal matters, which could significantly impact the financial statements; and
- (viii) Review and recommend approval to the Board of:
 - Prospectus-type documents
 - Related news releases
 - Information and earnings guidance provided to analysts and rating agencies.

2. Annual Financial Statements

The Committee shall review the financial statements of the Corporation and shall report to the Board of Directors before such financial statements are approved by the Board under section 159 of the Act (respecting approval of financial statements by directors).

- (i) Meet with management and the external auditors to review the financial statements and the results of the audit;
- (ii) Review the annual audited financial statements prior to presentation to the Board and distribution to shareholders and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate accounting principles;
- (iii) Recommend that the annual financial statements and all related documents be received and approved by the Board;
- (iv) Review the financial reports and statements of the Corporation that require the approval of the Board prior to being submitted to a regulatory body;
- (v) Be satisfied that adequate procedures are in place for the review of any disclosure of financial information extracted or derived from these financial statements and periodically assess the adequacy of those procedures;

- (vi) Review complex and/or unusual transactions and judgmental areas such as significant claims and contingencies that could materially impact the Corporation's financial position;
- (vii) Review Management's Discussion and Analysis of financial information in the annual report and the Annual Information Circular; and
- (viii) Review all Related Party transactions.

3. Interim Financial Statements

Assess the fairness of the preliminary and interim statements and disclosures and obtain explanations from management and internal and external auditors on whether:

- (i) Actual financial results for the interim period varied significantly from budgeted or forecasted results;
- (ii) Changes in financial ratios and the relationships in the interim financial statements are consistent with changes in the Corporation's operations and financing practices;
- (iii) Generally accepted accounting principles have been consistently applied;
- (iv) There are any actual or proposed changes in accounting or financial reporting practices;
- (v) There are any significant or unusual events or transactions; and
- (vi) The preliminary announcements and interim financial statements contain adequate and appropriate disclosures.

4. Risk and Uncertainty

The Board of Directors, in consultation with management, identifies the principal business risks, decides on an acceptable level, approves related risk management policies and assigns oversight responsibilities to Board committees and the Board as a whole.

The Audit Committee requests the external auditor's opinion of management's assessment of significant financial risks facing the company and how effectively they are being managed or controlled.

5. Internal Control

The Audit Committee reviews the plans of the internal and external auditors to ensure the combined evaluation and testing of control is comprehensive, well coordinated, cost effective and appropriate to risks, business activities, changing circumstances etc.

- (i) Review appointments of key people involved in financial reporting;
- (ii) Review fraud prevention programs and monitors their implementation;
- (iii) Review annual budget and management control procedures;
- (iv) Evaluate whether management is settling the appropriate "control culture" by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities;
- (v) Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown;
- (vi) Gain an understanding of whether internal control recommendations made by the external auditors have been implemented by management;

(vii) Review the process and procedures for Officer certification of financial information.

The Committee has authority to communicate directly with the Corporation's internal auditors.

6. External Audit

The Committee is directly responsible for engaging and overseeing the work of the external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. The external auditors shall report all material issues or potentially material issues to the Committee. The external auditor shall report directly to the Committee, and the Committee has the authority to communicate directly with the external auditors of the Corporation.

The Committee shall:

- (i) Review the external auditor's proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope;
- (ii) Review the performance of the external auditors;
- (iii) Consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the Corporation;
- (iv) Review the annual audit plan and fees proposed by the external auditors;
- (v) Review the nature and extent of the liaison between the Corporation's staff and the external auditors;
- (vi) Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis;
- (vii) Report to the Board any conflict between the external auditors and management that the Committee has been unable to resolve within a reasonable period of time;
- (viii) Review the draft audit opinion on annual financial statements
- (ix) Review the management representation letter provided to the external auditors
- (x) Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately;
- (xi) Make recommendations to the Board regarding the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation and their compensation; and
- (xii) The Audit Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee.

7. Compliance with Laws and Regulations

The Committee shall:

- (i) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any fraudulent acts or non-compliance;
- (ii) Obtain regular updates from management and others (e.g. internal and external auditors, legal counsel) concerning the company's compliance with financial related laws and regulations such as:
 - Tax and financial reporting laws and regulations.

- Legal, tax and withholding remittances.
- Environmental protection laws.
- Occupational health and safety laws.
- Personal Information and Protection of Privacy laws

- (iii) Review insider stock trades for compliance with Automodular Corporate Disclosure Policy;
- (iv) Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (v) Review the findings of any examination by regulatory agencies.

8. Other Matters

a. Conflicts of Interest

The Committee shall:

- (i) Review the Corporation's policies relating to the avoidance of conflicts of interest between the Corporation and members of management as well as procedures with respect to officers' expense accounts and perquisites, including the use of corporate assets; and
- (ii) Annually, review and approve the CEO's expense accounts for the year then ended.

b. Committee's Right to Seek Independent Advice

The Committee has the authority to seek independent expert advice, including the retaining of independent counsel, accountants or others, as it determines necessary, to assist the Committee in fulfilling its duties and responsibilities and has the authority to set and pay the compensation for any advisors employed.

c. Committee's Caveat

While the Committee has the duties and responsibilities as set out in the Charter, the Committee is not responsible for planning or conducting the audit or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.