MANAGEMENT DISCUSSION AND ANALYSIS
OF OPERATING RESULTS AND FINANCIAL POSITION

For the Three and Six Month Periods Ended June 30, 2010 and 2009

The following Management Discussion and Analysis ("MD&A") was prepared as of August 11, 2010 and should be read in conjunction with the unaudited consolidated interim financial statements for the three and six-month periods ended June 30, 2010 and 2009 and the notes thereto as well as the Company's 2009 annual report and audited financial statements. The financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar amounts in the financial statements and MD&A are shown in Canadian dollars unless otherwise indicated. References to "Automodular" or to "the Company" refer to Automodular Corporation and its direct and indirect subsidiaries unless the content indicates otherwise.

Automodular is a sequencer and sub-assembler of modules that are installed in vehicles assembled by North American Original Equipment Manufacturers ("OEMs") at plants in Canada and the United States. At present, we employ approximately 600 people in three operating facilities servicing two OEM plants.

SECOND QUARTER OVERVIEW

Current quarter sales of $25.5 million were slightly higher than the $24.1 million in sales recorded in the same period of 2009. Operating results for the second quarter of 2010 were also ahead of the second quarter of 2009 due to strong operating volumes in our Oakville and Oshawa-area operations. In comparison, the second quarter of 2009 included eight weeks with no production as OEMs sought to rebalance inventory levels against the backdrop of substantially reduced vehicle demand. Automodular generated a net loss of $(2.3) million or $(0.09) per share for the quarter in 2010 compared to $2.6 million in net earnings or $0.10 per share in the same quarter of 2009. The current quarter includes a non-cash accounting charge of $5.6 million in respect of the recognition of the cumulative translation loss relating to Automodular's US-based operations following the shutdown of operations in our last remaining US facility in Ohio.

Significant events during the second quarter of 2010 included the following:

- Strong daily production volumes that started in the fourth quarter of 2009 carried over into the first and second quarters of 2010 in both our Oakville and Oshawa-area operations.

- Automodular signed a multi-year agreement with Ford Motor Company. This agreement essentially formalized the contract terms under which Automodular had been operating. As part of the agreement, Ford Motor Company agreed to make a payment of $2.3 million to compensate Automodular for previously unrecovered amounts on account of production downtime. This amount is being recognized over the contract term (July 2009 – June 2012) and as a result, the current quarter includes $0.8 million in revenue of which $0.6 million relates to prior periods.
- In June, Automodular announced a Substantial Issuer Bid pursuant to which the Corporation offered to repurchase for cancellation up to $5 million in value of its outstanding common shares from shareholders. The offer was by way of a modified "Dutch Auction" with a price range of $0.90 to $1.10 per share. The offer closed subsequent to quarter end. A total of 20,246,269 shares were deposited to the offer, with a total of 19,846,009 shares tendered at a price of $0.90. A total of 5,555,554 shares will be taken up as a result of the offer at a total cost of $4,999,999.
- As expected, Automodular's Ohio-area operations ceased production in June. Employees were severed and the Company recorded a charge of $0.1 million for severance costs for salaried and hourly workers. As a result of the cessation of US-based operations, Automodular recognized through earnings the cumulative translation loss of approximately $5.6 million, as previously noted.

RESULTS OF OPERATIONS

Automodular's comparative consolidated operating results for the three and six-month periods ended June 30, 2010 and 2009 are as follows:

SALES

Automodular's sales increased from $24.1 million in the second quarter of 2009 to $25.5 million in the second quarter of 2010 for the reasons noted below:

Canadian operations: Sales increased from $23.6 million to $24.8 million in 2010. Sales in the Company's Oakville-area operations were significantly higher in 2010 than in 2009. In the second quarter of 2009, our Oakville operations experienced three weeks with no production; in the second quarter of 2010, daily volumes remained above historical run-rates. Our Oshawa-area operations reported approximately 60% lower sales in 2010 than in 2009. In 2009, our Oshawa-area sales include revenues relating to our Montecorte truck operations which wound down in the second quarter of 2009.

US operations: US-based revenues of US$0.6 million were approximately US$0.1 million higher in 2010 than in 2009. Ohio-based operations experienced higher production levels in the second quarter of 2010 than in the same period in 2009.

Year-to-date sales of $50.3 million are $13.0 million higher than the same period in 2009 primarily as a result of higher Oakville-area sales. During the first half of 2009, there were nine weeks when no production was scheduled at Automodular's Oakville-area operations.

COST OF GOODS SOLD AND OTHER EXPENSES

Cost of goods sold and other expenses increased from $15.6 million in the second quarter of 2009 to $18.0 million in the second quarter of 2010. Year-to-date costs of goods sold of $35.8 million are $8.9 million higher than the same period in 2009. These increases are a result of the higher levels of production period-over-period. When no production is scheduled, as was the case in the first half of 2009, Automodular is able to avoid certain costs such as wages, freight and variable overheads.

PREPRODUCTION COSTS

Preproduction costs for the second quarter of 2010 total $0.3 million and are slightly lower than the second quarter of 2009. Year-to-date preproduction costs of $0.8 million are $0.1 million lower than the same period in 2010. Expenditures in the first half of 2010 relate to the pre-launch costs for the 2011 Ford model year change. Expenditures in the prior period related primarily to the pre-launch costs for the Lincoln MKT which launched in the third quarter of 2009. Pre-launch costs related to the Chevrolet Camaro were funded by GM so are not included in the 2009 figures.

EXIT COSTS

Exit costs for the second quarter of 2010 total $0.4 million compared to $1.6 million in the same quarter in 2009. In its April 14, 2010 press release announcing the termination of the GM Oshawa-area contracts, Automodular estimated the impact of the cancellation on its financial statements to be approximately $7.0 million after tax. In the first quarter, Automodular revised its pre-tax estimates to include: $1.5 million in severance, $3.3 million for asset impairment and projected future costs to range from $2.0 million to $3.8 million. No significant revisions were made to estimates in the current quarter. Automodular expects to incur additional expenditures relating to the closure of its Oshawa-area operations in the third quarter when the facility is closed. These may include but are not limited to facility cleanup, residual operating leases, severance and lease inducements. Automodular currently estimates these expenditures to be between $2.0 and $4.0 million. In June, Automodular recorded a charge of $0.1 million for severance costs for its Ohio-area salaried and hourly workers as a result of the plant closure. The balance of the exit costs in the current quarter relate to facility costs incurred on the Company's Montecorte facility that is currently listed for sub-lease.

Year-to-date exit costs for 2010 of $2.3 million are $0.7 million lower than the same time period in 2009. Severance costs recorded in 2010 relate to both the termination of Ohio-area operations and the upcoming closure of the Thornton facility in Oshawa as well as facility costs incurred on the Company's Montecorte facility. Costs recorded in 2009 included severance costs and other exit costs relating to the Company's closure of its Montecorte operation. Other 2009 exit costs included estimated facility repair costs, residual equipment leases and lease inducement costs over the balance of the Montecorte facility lease. The Montecorte operation supported GM Oshawa's truck operations which ceased production in the second quarter of 2009.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AMORTIZATION AND OTHER NON-CASH ITEMS ("EBITDA")

EBITDA is used as a key financial measurement when evaluating operating performance and is a measure of cash operating earnings that is widely used in the automotive industry. The Company defines the metric as *"earnings before interest, taxes, depreciation and amortization and non-cash items"*. **It is not a defined term under Canadian GAAP** and is, therefore, unlikely to be comparable to similar measures presented by other companies.

EBITDA increased from $6.4 million in the second quarter of 2009 to $6.8 million in the second quarter of 2010 for the reasons noted below:

Canadian operations: EBITDA in our Canadian operations improved slightly compared to the second quarter of 2009 as a result of improved EBITDA in our Oakville-area operations driven by higher production volumes. This improvement was mitigated by a reduction in EBITDA from our Oshawa-area operations from the second quarter of 2009 due to the decrease in the size and scope of those operations.

US operations: EBITDA from our US operations was marginally behind 2009 for the second quarter due to the $0.1 million severance charge booked in exit costs upon cessation of operations in Ohio.

Year-to-date EBITDA increase from $6.5 million in 2009 to $11.4 million in 2010 was mainly due to improved production volumes in Oakville-area operations and remaining Oshawa-area operations. This increase was partially offset by a reduced contribution from our downsized Oshawa-area operations.

Reconciliation of EBITDA to earnings before income taxes:

	For the three months ended June 30		For the six months ended June 30	
	2010	2009	2010	2009
EBITDA	$ 6,812	$ 6,446	$ 11,442	$ 6,528
Amortization	2,059	2,371	3,514	3,673
Property, plant & equipment impairment charge	-	-	3,250	-
Interest expense (income), net	31	267	239	428
Realization of cumulative translation loss	5,559	-	5,559	-
Other income	21	(3)	27	(11)
	7,670	2,635	12,589	4,090
Earnings before income taxes	$ (858)	$ 3,811	$ (1,147)	$ 2,438

EARNINGS BEFORE INCOME TAXES

Loss before income taxes of $(0.8) million in the current quarter, compares to earnings before income taxes of $3.8 million in the same quarter of 2009. Excluding the impact of the $5.6 million charge recorded relating to the realization of the cumulative translation loss; operating earnings were higher than in the second quarter of 2009. This increase is largely due to increased EBITDA as discussed previously as well as reduced amortization and interest in the current quarter. Amortization in the second quarter of 2009 included a $0.7 million charge to accelerate amortization on certain assets in the Company's Montecorte facility as a result of the plant closure. Accelerated amortization on Thornton assets recorded in the second quarter of 2010 was $0.2 million lower. Interest was $0.2 million lower due to the repayment of the Company's term credit facilities in the first quarter of 2010.

Year-to-date loss before income taxes of $(1.1) million in 2010 is $3.6 million lower than the same period in the prior year. Excluding the impact of the $5.6 million charge relating to the realization of the cumulative translation loss, year-to-date earnings before income taxes of $4.4 million in 2010 are $2.0 million higher than the same period in 2009. This increase was due largely to the change in EBITDA as previously disclosed and the $3.3 million property, plant and equipment impairment charge booked in the first quarter of 2010 relating to GM's termination of our Oshawa-area contracts and transition of the business to one of our competitors.

AMORTIZATION

Amortization of $2.1 million in the second quarter of 2010 is $0.3 million lower than the second quarter of 2009. Year-to-date amortization decreased from $3.7 million in 2009 to $3.5 in 2010. These decreases are primarily due to higher accelerated amortization in the second quarter of 2009 in respect of the closure of our Montecorte operations as previously discussed.

PROPERTY, PLANT AND EQUIPMENT IMPAIRMENT CHARGE

The year-to-date period includes a charge of $3.3 million, booked in the first quarter of 2010, which relates to property, plant and equipment currently used in our Oshawa-area operations for our GM contracts. As a result of the announced termination of our Oshawa-area contracts effective September, 2010, Automodular performed an analysis which compared the current net book value with expected future earnings expected on the contracts and an estimated recovery on sale or disposition of the assets and concluded that an impairment charge of $3.3 million was warranted. There has been no adjustment to this charge in the second quarter of 2010. Automodular will continue to review all exit costs and impairment charges with respect to the closure of its Oshawa-area operations on a quarterly basis and will adjust as circumstances warrant.

REALIZATION OF CUMULATIVE TRANSLATION LOSS

In Ohio, Automodular ceased production in June and terminated its workforce. Subsequent to quarter end, the Company has returned the facility to the landlord. In the absence of continuing US operations, Automodular recognized through earnings the cumulative translation adjustment loss of approximately $5.6 million. This loss relates to the increased strength of the Canadian dollar against the US dollar since the time that the Company purchased its US operations. The loss was partially offset by the realized gain on the US dollar portion of the purchase financing which was fully paid off in 2007. The recognition of this amount essentially reallocates the amount between other comprehensive income (loss) and deficit within shareholders' equity and has no impact on the consolidated balance sheet or cash position of the Company.

INTEREST EXPENSE, NET

Interest expense in the current quarter is negligible and is lower than 2009 due to the repayment of Automodular's two term credit facilities on March 31, 2010. Year-to-date interest expense has decreased from $0.4 million in 2009 to $0.2 million in 2010 for the same reason.

INCOME TAXES

Excluding the non-taxable charge related to the realization of the cumulative translation loss, the effective tax rate for the current year-to-date is approximately 31% and is lower than the prior year-to-date due to reductions in statutory rates and higher US losses included in earnings before income taxes in 2009. Automodular no longer records tax recoveries for US-generated operating losses as recovery is not expected.

HISTORICAL QUARTERLY DATA - ROLLING EIGHT QUARTERS
(All numbers in thousands except per share amounts)

	2010		2009				2008	
	Q1	**Q2**	**Q1**	**Q2**	**Q3**	**Q4**	**Q3**	**Q4**
	$	$	$	$	$	$	$	$
Sales	24,801	25,540	13,242	24,103	15,112	22,804	20,691	16,421
Net earnings	(202)	(2,324)	(972)	2,576	(1,069)	2,139	2,021	(10,348)
Per share (basic and diluted)	(0.01)	(0.09)	(0.04)	0.10	(0.04)	0.08	0.08	(0.40)

In our industry, the first and second quarters of the year typically generate higher earnings than the third and fourth quarters because there are a greater number of non-production days (statutory holidays and in the third quarter generally a two-week closure for summer shutdown) in the latter half of the year. In the first quarter of 2010 Automodular reported strong sales results, however, earnings were impacted by the $4.8 million charge relating to GM's termination of existing Oshawa-area contracts. In the second quarter of 2010 the Company continued to experience strong sales based on improvements in production volumes for Canadian operations. The second quarter earnings include a charge for $5.6 million related to the realization of the cumulative translation loss as previously described. In 2009, results were impacted by reduced production in the first and second quarters of the year and by the resolution of certain commercial issues with GM which were reflected in the third quarter. In 2008, third quarter results were stronger in light of certain contract extensions in our Oshawa operations that contained a higher fixed portion of revenues. Net earnings in the fourth quarter of 2008 reflect the impact of the $9.4 million write-off of goodwill.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash generated from operating activities of $6.1 million in the second quarter of 2010 compares to cash used in operations of $0.3 million in the same period in 2009. The increase is primarily due to more cash being utilized in the second quarter of 2009 in working capital – mainly as a result of the increase in accounts receivable over the end of the first quarter of 2009. This was a result of increased production in the second quarter of 2009 compared to the first quarter of 2009 and the addition of the receivable related to the closure of the Oshawa-area truck operations.

Year-to-date cash generated from operations of $13.3 million is $12.0 million higher than the same period in the prior year as a result of improved cash from earnings and more cash being generated from working capital in the current period. Working capital used in operations for the year-to-date period in 2009 was largely due to higher accounts receivables as discussed above for the second quarter. Cash generated from operating working capital in the current year-to-date period is mainly because of an increase in accounts payable related to the severance accruals booked for Thornton and Ohio-area operations. These accruals will be paid out in future periods.

Investing activities

Net purchases of property, plant and equipment (purchases less proceeds on dispositions) for the second quarter decreased by $0.4 million compared to 2009. Year-to-date net purchases of $1.5 million compare to $2.4 million for the same period in 2009. Current year expenditures relate to the Ford Edge 2011 model year change whereas 2009 expenditures related to capital spent on the Lincoln MKT and Chevrolet Camaro programs. The 2009 programs were larger in size and scope than the 2010 program. Automodular also spent $0.2 million in the first half of 2010 on investments in marketable securities compared to $0.6 million in the first half of 2009.

Financing activities

Repayments of long-term liabilities in the current quarter of $0.1 million compared to $0.6 million in the same period in 2009. Year-to-date payments of $8.4 million in 2010 were significantly higher than the $1.1 million in payments made in the first half of 2009.

These changes are due to the repayment of Automodular's two term credit facilities on March 31, 2010. All of Automodular's remaining long-term liabilities at this time relate to capital leases.

UNUSED AND AVAILABLE FINANCING RESOURCES

Automodular's cash on hand at quarter-end totaled $8.3 million compared to $5.1 million at the end of 2009. The Company has an undrawn $10.0 million operating line. Automodular repaid its term credit facilities in the first quarter and its balance sheet remains strong. Automodular expects that its cash on hand, availability of credit and expected cash flows from operations are sufficient to fund the needs of the Company during the 2010 fiscal year.

FINANCIAL INSTRUMENTS

As part of the repayment of its term credit facility with Scotiabank, Automodular unwound its interest rate swap agreement and paid a fee of $0.1 million in the first quarter.

SHAREHOLDERS' EQUITY

Shareholders' equity increased from $37.6 million at December 31, 2009 to $40.7 million at June 30, 2010 primarily as a result of year-to-date earnings of $3.0 million excluding the recognition of the cumulative translation loss since it had already been reflected as a charge against shareholders' equity.

OUTSTANDING SHARE DATA
(All numbers in thousands except share and per share data)

	June 30, 2010		December 31, 2009	
	# Outstanding	**Amount**	**# Outstanding**	**Amount**
Common shares	25,949,233	$ 49,832	25,949,233	$ 49,832

Subsequent to June 30, 2010, Automodular announced the results of its substantial issuer bid as previously noted. As a result of the offer 5,555,554 shares will be taken up at a purchase price of $0.90 per share for a gross amount of $4,999,999. Total outstanding shares following completion of the transaction will be 20,393,679.

OUTLOOK

The forward-looking statements below are not historical facts but reflect the Company's current expectations regarding future results or events and are based on information currently available to management. Certain material factors and assumptions were applied in providing these forward-looking statements. Automodular has from time to time provided a financial outlook in its filings but effective the third quarter of 2008, Automodular determined it was not appropriate to provide outlook guidance. Please review our forward-looking statement disclaimer at the end of this MD&A.

In April, GM formally communicated the termination of Automodular's Oshawa-based Camaro contract effective September, 2010, with production currently scheduled to end September 10, 2010. During the first quarter, Automodular recorded a $4.8 million charge relating to this announcement. The charge included $1.5 million in estimated statutory severances and a property, plant and equipment impairment charge of $3.3 million. No significant adjustments were made to this amount during the second quarter. Additional costs will be recorded in future periods including potential adjustments to severance accruals, facility costs (including lease inducement charges), and residual non-facility leases. Automodular will continue to examine and revise its estimates as circumstances change. Automodular's counsel has drafted a statement of claim against GM for damages of $20.0 million arising from GM's termination of these contracts. There can be no assurance that Automodular will be successful in its claim or that it will recover any amounts from GM. Automodular is focused on managing its operations and maintaining operating and quality performance metrics while its employees transition to one of our competitors.

In Oakville, we continue to enjoy strong production volumes. In July, our operations started production of the 2011 model year Ford Edge. The model year change resulted in some substantial modifications to the vehicle which are expected to result in increased demand.

In Ohio, Automodular ceased operations in June and has closed its last remaining US operation.

Automodular entered the third quarter of 2010 with a strong balance sheet with cash on hand of $8.3 million and an undrawn $10.0 million line of credit.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

There were no changes to our significant accounting policies or critical accounting estimates during the current quarter.

CHANGES IN ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of the Company and notes thereto for the three and six-month periods ended June 30, 2010 have been prepared using the same accounting principles and methods as were used for the audited consolidated financial statements for the years ended December 31, 2009 and 2008.

There were no changes in accounting policies during the quarter ended June 30, 2010.

International financial reporting standards ("IFRS")

The Accounting Standards Board (”AcSB”) has set January 1, 2011, as the date that IFRS will replace current GAAP for publicly accountable entities. The changeover to IFRS will be required for our interim and annual financial statements beginning January 1, 2011. IFRS uses a conceptual framework similar to GAAP, but there are some significant differences on recognition, measurement and disclosures.
The following information is provided to comply with *Canadian Securities Administrators* staff notice 52-320, "Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards" and to allow readers to obtain a better understanding of our IFRS changeover plan and the resulting possible effects on, for example, our consolidated financial statements and operating performance measures. Readers are cautioned, however, that it may not be appropriate to use such information for any other purpose. This information also reflects our most recent assumptions and expectations; circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could change these assumptions or expectations.

In our MD&A for the years ended December 31, 2009 and 2008 we provided a detailed overview of our IFRS changeover plan. The IFRS project team (the "Team") has completed Phase 1 of the changeover plan and has presented its proposed IFRS accounting policies to management. Although the Team has identified key accounting policy differences, the impact of these differences to the Company's consolidated financial statements has not been determined at this time.

The key accounting policy differences identified by the Team include, but are not limited to the following:

Property, plant and equipment
The Team anticipates the net book value of certain items of property, plant and equipment may change upon conversion to IFRS compared to the carrying value currently reported under Canadian GAAP. This potential change may be due to differing depreciation expense due to asset componentization which involves breaking down an asset by identifying significant individual components and separately depreciating those individual components over their useful lives. The overall impact is not expected to be significant.

Impairment of Assets
IAS and Canadian GAAP utilize different approaches to impairment testing. Canadian GAAP utilizes a two-step approach to impairments testing: first comparing undiscounted future cash flows to determine whether impairment exists, and then measuring impairment by comparing asset values to their fair values. IAS uses a one-step approach for testing and measuring impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use, which is calculated using discounted cash flows. In addition, Canadian GAAP does not allow any asset impairment losses to be reversed while IAS requires reversal if certain criteria are met. The result of these policy differences could lead to write-downs in carrying value of assets which were previously supported under Canadian GAAP, however the Team does not anticipate a significant impact resulting from this policy change.

Employee Benefits
Under Canadian GAAP, the Company defers and amortizes actuarial gains and losses from defined benefit plans using the corridor method. Under IFRS the Company currently intends to recognize gains and losses in each period as they arise in other comprehensive income. The Team does not anticipate a significant impact resulting from this policy change.

The Team has recently commenced Phase 2 which involves the assessment of the impact of the differences and the design of solutions to address them, focusing initially on those differences that may require changes to our financial systems or that are more complex or time-consuming to resolve. While assessing the impact of any changes the Team is also considering the effects on any third party agreements including but not limited to credit and management compensation agreements. Currently, the Team anticipates focusing the majority of its time on the impact of the changeover on its property, plant and equipment and related disclosures. The Team anticipates the completion of Phase 2 during the fourth quarter of 2010.

As the Team progresses through Phase 2, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made. Given the structure of the Company’s current financial business processes and IT systems, the Team anticipates minor changes will be required to such systems to allow management to capture the increased data required to comply with IFRS reporting requirements. It is the expectation of the Team that changes to controls will predominately relate to disclosure controls due to the significant increase in required disclosure under IFRS and not internal controls over financial reporting.

The IFRS team has obtained external materials and developed internal materials to be presented to the audit committee and key financial team members to ensure such individuals develop an appropriate level of IFRS financial reporting expertise. Management has proposed a special meeting of the audit committee to be held during the fourth quarter of 2010 which will be an IFRS information session to review the implication of IFRS standards to the Company's financial processes and an overview of the anticipated impact to the financial statements.

At this time, we cannot quantify the impact that the future adoption of IFRS will have on our financial statements and operating performance measures. Such impact may be material. Additional information will be provided as we move towards the changeover date.

Our IFRS project is progressing according to plan. We will continue to monitor any new or revised standards issued by the IASB. We will continue to provide training to key employees and board members and to monitor the impact of the transition on our business practices, systems and internal controls over financial reporting. We will provide updates as further progress is achieved and conclusions are reached.

Disclosure Controls and Procedures

Automodular's management has designed and evaluated the effectiveness and operations of its disclosure controls and procedures, as defined under Multilateral Instrument 52-109 of the Canadian Securities Administrators.

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with Canadian securities regulatory authorities is recorded, processed, summarized and reported on a timely basis. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in such reports is then accumulated and communicated to the Company's management, which includes the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations in all control systems, an evaluation of the disclosure controls can only provide reasonable assurance over the effectiveness of the controls. The disclosure controls are not expected to prevent and detect all misstatements due to error or fraud.

Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that, subject to the inherent limitations noted above, the Company's disclosure controls and procedures are effective at June 30, 2010.

Internal Controls over Financial Reporting

Automodular's management has designed internal controls over financial reporting, as defined under Multilateral Instrument 52-109 of the Canadian Securities Administrators.

The purpose of internal controls over financial reporting is to provide reasonable assurance regarding the reliability of financial reporting, in accordance with GAAP, focusing in particular on controls over information contained in the annual and interim financial statements. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

There have been no changes in the Company's internal controls over financial reporting during the quarter ended June 30, 2010, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This MD&A contains statements which, to the extent that they are not recitations of historical fact, may constitute "forward-looking statements" within the meaning of applicable securities legislation. Forward-looking statements may include, but are not limited to, financial and other projections, as well as statements regarding our future plans, objectives or performance, anticipated business development, anticipated industry developments, our views on the long-term outlook of the automotive industry, our views on the future of outsourcing versus insourcing, or our underlying assumptions. Words such as "*may*", "*would*", "*could*", "*will*", "*likely*", "*estimate*", "*anticipate*", "*believe*", "*expect*", "*intend*" or other similar expressions are intended to identify forward-looking statements. Such forward-looking statements, or forward looking information, reflect management's beliefs, estimates and opinions regarding Automodular's future growth, results of operations, performance and business prospects and opportunities and are not guarantees of future results. Specific forward-looking information in this document includes those relating to cost estimates and the expected cessation of production in respect of the termination of Automodular's Oshawa-area contracts, the filing and potential outcome of any claims against GM, demand expectations around the 2011 Ford Edge and our current expectations with respect to the impact of IFRS on Automodular's future filings and on its internal and disclosure control systems.

By its nature, 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 and include but are not limited to:

- the cyclical nature of the automotive industry and its dependence on consumer spending;
- our ability to identify, close and integrate acquisitions;
- our ability to finance new business requirements;
- 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 GM and Ford;
- new program launch risks and other changes in the business environment in which we operate;
- limited financial resources; and
- the effect of new accounting standards on our financial results.

Persons reading this MD&A should not place undue reliance on forward-looking statements and are cautioned that forward-looking 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 as required by continuous disclosure obligations, 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.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the Annual Information Form, can be found on the SEDAR website at www.sedar.com.

August 11, 2010