MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

For the Years Ended December 31, 2010 and 2009

The following Management Discussion and Analysis ("MD&A") was prepared as of March 24, 2011 and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2010 and 2009 together with the notes thereto. The MD&A discusses our performance and financial condition, provides an update on financial and non-financial developments during the past year and addresses future prospects.

BASIS OF PRESENTATION

Automodular Corporation is a Canadian-based company and our accounting policies are in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar amounts are 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.

COMPANY AND INDUSTRY OVERVIEW

Automodular is a sequencer and sub-assembler of modules that are installed in vehicles assembled by Ford Motor Company ("Ford") in its Oakville, Ontario assembly plant. By sequencing, we mean that we deliver the sub-assembled modules, such as an instrument panel or a powerpack, to the final assembly plant in precisely the sequence of their final installation in the vehicle and at precisely the time they are to be installed.

All of our business is contract business. We are asked to bid on contracts to supply sub-assembled modules to vehicles by the Original Equipment Manufacturer ("OEM"). These contracts are usually quoted on and awarded prior to the launch of the vehicle and are typically for periods from three to five years, although they are generally terminable by the customer at any time. Our Company often ships components for each vehicle being assembled on the assembly line – from the very first vehicle to the last. While operating, we receive orders every thirty seconds and ship completed assemblies typically within two hours of receiving the respective orders. Given the tight timeline, each plant is generally located within twenty kilometres of the final assembly plant which it serves. We are an integral part of the supply chain and fundamental to the cost-efficient final assembly of vehicles.

Our success is based on our ability to deliver defect-free modules to the final assembly plant of the OEM on time, every time, at a cost that makes it more profitable for our customers to use our services rather than doing the work themselves or awarding the business to one of our competitors.

At present, we employ approximately 500 people in two operating facilities in Oakville, Ontario. In 2010, we operated approximately 0.6 million square feet of plant space and provided sequencing and subassembly services for 0.4 million vehicles to two OEMs. Since September of 2010, when the Company ceased to supply GM ("GM" refers to General Motors Corporation and General Motors of Canada, Limited), at its Oshawa facilities, the Company has been supplying only one OEM – Ford.

The Company's remaining contracts are for the following Ford vehicle platforms:

Oakville, ON	Ford Edge Lincoln MKX Ford Flex Lincoln MKT

The automotive industry has experienced substantial changes over the last three years. In the latter half of 2008, we witnessed a significant reduction in North American vehicle production volumes because of reduced consumer demand. This drop in demand was a result of the economic downturn and its related issues that included falling equity and home values, lack of credit brought on by tighter lending practices, higher unemployment and an overall lack of customer confidence. Our customers responded to this drop in demand by idling their facilities in an effort to balance inventory levels.

These challenges carried over into 2009 as the economic downturn continued. A substantial number of production downweeks occurred early in 2009 with the number tapering off each quarter as the economy recovered and consumer confidence improved.

In the second quarter of 2009, General Motors Corporation ("GM US") and Chrysler LLC ("Chrysler") filed for Chapter 11 protection in the United States. The Chapter 11 filings by GM US and Chrysler enabled both companies to restructure. They discarded unprofitable brands and vehicles, substantially reduced labour and other operating costs and reduced or eliminated many financial obligations.

Ford did not request bailout money from the US and Canadian governments. They did, however, reach agreements with the National Automobile, Aerospace, Transportation and General Workers Union of Canada ("CAW") and the United Auto Workers Union ("UAW") to obtain wage and benefit concessions similar to those given to GM and Chrysler so as to remain competitive with their North American-based counterparts.

The economic recovery continued into 2010 and our operations benefitted from strong production volumes and overtime production.

The impact of the above-noted changes to the sub-assembly and sequencing work that we perform for OEMs has been considerable. As previously noted, our success is based on our ability to deliver defect-free modules to the final assembly plant on time, every time, at a cost that makes it more profitable for our customers to use our services rather than doing the work themselves or awarding the business to one of our competitors. The differential between our fully loaded labour rate and that of our customers is smaller than it was. This has resulted in a reduction in future opportunities and the volume of new bids that we are being asked to consider is appreciably lower than in previous years. Over the short term, there is considerable risk of disruption to existing programs if contracts are transitioned mid-stream. That being said, there is increased pressure put on suppliers to meet substantial cost reduction targets imposed by the OEMs.

2010 OVERVIEW

The 2010 year was a study in contrasts. On the positive side, we benefitted from strong demand and production levels in our Oakville operations supporting Ford Oakville's assembly plant; on the negative side, we incurred substantial costs and disruption as a result of GM's termination of our Oshawa-area contracts and the transition of the business to a new supplier. Automodular incurred approximately $7.5 million in costs relating to the unexpected closure of its last remaining Oshawa operation. Subsequent to year end, Automodular filed a statement of claim for damages arising from breach of contract by GM. There can be no assurance that Automodular will be successful or that it will recover any amounts from this claim.

Automodular generated strong cash flows in 2010 which allowed the Company to accelerate the repayment of its term credit facilities, undertake a formal issuer bid to repurchase for cancellation $5 million in common shares and issue a special dividend in the fourth quarter of 2010.

Sales increased to $88.1 million from $75.3 million in 2009. EBITDA (as defined on page 12) from operations of $17.7 million compared to $11.2 million in 2009. After giving effect to the recognition of a cumulative translation loss of $5.6 million relating to the closure of the Company's US operations, Automodular reports a net loss for the year of $(0.7) million or $(0.03) per share compared to net earnings of $2.7 million or $0.11 per share in 2009.

Significant events in 2010 included the following:

- On March 31, 2010, Automodular utilized surplus cash to repay in full its Roynat Inc. and Scotiabank term credit facilities so as to reduce future interest charges and financing fees. These credit facilities were scheduled to be repaid on August 15, 2012 and October 5, 2010 respectively. Subsequently, in October, 2010, Automodular did not renew its Scotiabank revolving $10 million credit facility when it matured. As a result, Automodular is no longer subject to restrictive covenants imposed under the credit agreements, however Scotiabank continues to hold a first charge on the Company's assets, properties and undertakings.
- During the first quarter of 2010, Automodular received written notice from GM demanding an approximately 50% reduction in the price of its services to GM's Oshawa car assembly plant or risk losing the business as early as the third quarter of 2010. Automodular did not meet these demands and accordingly received a formal notice of contract termination from GM on April 13, 2010. Automodular's last full day of production for GM was September 10, 2010. Automodular's hourly workers at its Thornton Road facility were transitioned over to the supplier who took over the contract and Automodular's salaried employees at the facility were severed. Approximately $7.5 million of costs, consisting primarily of severance, facility-related costs and plant and equipment impairment charges, relating to the closure of the remaining Oshawa operation were incurred.
- As expected, Automodular's Ohio-based operations ceased production in June. Employees were severed and the Company recorded a charge of $0.2 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
- In the second quarter of 2010, Automodular signed a multi-year agreement with Ford. This agreement essentially formalized the contract terms under which Automodular had been operating. As part of the agreement, Ford agreed to make a one-time 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 to June 2012) and as a result, the 2010 results include $1.1 million of which $0.4 million relates to prior periods.

- In the second quarter, 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 "Substantial issuer bid" or "Offer"). 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 in the third quarter and 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 per share. A total of 5,555,554 shares were taken up at a total cost of $4,999,999 excluding transaction costs.
- In the fourth quarter, Automodular was informed that it had reached the quality requirements to receive the Q1 Award for its second Oakville facility. The Ford Q1 Award indicates that Automodular has met key metrics and process enhancements beyond the industry's standard requirements. In order to receive this Award, Automodular had to pass stringent criteria addressing communication, teamwork, management review, quantifying tools and continuous improvement.
- At the end of the fourth quarter, Automodular paid a special dividend of $0.20 per share.

RISK FACTORS

Following are some of the more significant risks that could impact the Company and its future results:

Industry risk

The automotive industry is cyclical and influenced by various economic and political factors that include interest rates, consumer demand and international conflicts. OEMs are susceptible to declines in production volumes as a result of rising interest rates, general economic downturns, rising fuel prices, legislative changes, environmental concerns, emissions and safety issues, labour and/or trade disruptions and other variables.

Increased crude oil and energy prices could reduce global demand for automotive products in general or for particular customer platforms to which the Company provides services. There can be no assurance that North American automotive production, whether global or on specific platforms, will not decline in the future or that the Company will be able to utilize any additional capacity it adds going forward. A substantial decline in the production of new North American automobiles in general or by Ford, in particular, may have a material adverse effect on the Company's financial condition and results of operations.

The Company's reliance on Ford makes it susceptible to other risks generally applicable to industry participants, including the extent of OEM outsourcing. The extent of OEM outsourcing is dependent on a number of factors, such as the cost, quality and timeliness of external production relative to inhouse production by OEMs, technological capability, the degree of unutilized labour capacity at OEM manufacturing facilities, OEM collective bargaining agreements and OEM labour relations. Any significant decline in OEM production volumes or increase in insourcing of any major production contracts as a result of any of the variables described above could have a material adverse impact on the Company.

For further discussion relating to changes in the automotive industry over the past three years please refer to the "*Company and Industry Overview*."

Dependence upon key customers

Automodular has long-term contracts with Ford and currently all of the Company's sales are dependent on Ford. Cancellation of its remaining contracts or the insolvency or deterioration of the financial position of Ford, or reduced sales of vehicles for which we have contracts, could materially and adversely affect the Company's business. In addition, an extended work disruption at Ford resulting from labour stoppages at or insolvencies of key suppliers to Ford could have a marked impact on the Company's revenues and/or profits. All of the Company's sales are in North America (and since mid-2010, in Canada only), a sector which has experienced over-capacity, significant competition and "legacy cost" (pension and healthcare liabilities especially in the United States) issues. These pressures have contributed to some production losses and pricing pressures for suppliers in the automotive industry.

Customer contracts

Given the current trends in the automotive industry, the Company is under increasing pressure to absorb costs and provide additional price reductions over and above those already built into contracts. If the Company is unable to achieve savings through cost reduction programs to offset these items, future earnings will be adversely impacted.

Contract volumes for customer programs are based on estimates of future production levels. However, actual production volumes may vary significantly from these estimates because of a reduction in consumer demand or new product launch delays, often without any compensation to the supplier by its OEM customer. Purchase orders issued by customers typically do not contain a minimum volume or value. For programs currently under production, the Company is generally unable to request price changes when there is a marked difference in volumes from production estimates used during the quotation stage. If estimated production volumes are not achieved, the capital and preproduction costs incurred by the Company may not be fully recovered. Similarly, future pricing pressure or volume reductions by the Company's customers may also reduce the amount of amortized costs otherwise recoverable in the piece price of the Company's products. Contracts can generally be terminated by a customer at any time (termination for convenience) and, if terminated, could result in the Company incurring exit costs which may not be recoverable from the customer. GM expressly waived its rights to terminate for convenience regarding the Camaro contract which is the subject of the GM litigation previously disclosed. All of these factors could have an adverse effect on the Company's profitability.

Program delays

From time to time, the Company may expand its production capacity by leasing new premises and/or contracting for the construction of new facilities to accommodate the award of new business from the Company's customers. There can be no assurance that the Company will be able to lease new facilities on reasonable terms, if at all. Furthermore, the construction of new facilities also involves a number of areas of operational and financial risk such as construction delays and delays associated with the installation, testing and start-up of new production equipment or manufacturing processes. Since many new facilities are leased and/or constructed to accommodate the launch of new customer production programs, the Company risks delays in program launches if it is unable to lease and/or construct new facilities as required.

Product warranty, recall and liability risk

Automobile manufacturers are asking more and more that each of their suppliers bears the costs of the repair and replacement of defective products which are either covered under an automobile manufacturer's warranty or are the subject of a recall by the automobile manufacturer. The obligation to repair or replace such parts, or a requirement to participate in a product recall, could have an adverse effect on the Company's operations and financial condition. Historically, Automodular has not been exposed to any material costs in this regard.

Labour relations matters

All of the Company's hourly employees are subject to collective bargaining agreements and Automodular has not experienced any material labour relations disputes, to date. Production may be affected by work stoppages and labour-related disputes, however, which may not be resolved in the Company's favour and which may have a material adverse effect on the Company's operations.

Dependence upon key personnel

The success of the Company is dependent on the services of its senior management team which includes the Chief Executive Officer, the Vice-Presidents and the Operations Managers. The experience and talents of these individuals will be a significant factor in the Company's continued success and growth. Although the Company engages in succession planning, the loss of one or more of these individuals without adequate replacement measures could have a material adverse effect on the Company's operations and business prospects. The Company maintains key man life insurance on its Chief Executive Officer and three of its Vice-Presidents in the amount of $5.0 million in the case of the CEO and $2.0 million in the case of each of the Vice-Presidents.

Limited financial resources/uncertainty of future financing/banking

The Company is engaged in a capital-intensive business and its financial resources are less than the financial resources of some of its competitors. There can be no assurance that, if, as and when the Company seeks additional equity or debt financing, the Company will be able to obtain the additional financial resources required to successfully compete in its markets on favourable commercial terms or at all. Additional equity financings may result in substantial dilution to existing shareholders.

Potential litigation

Although the Company is unaware of any material claims against it, there can be no assurance that third parties will not assert claims against the Company in the future or that any such assertion will not result in costly litigation, or a requirement that the Company enter into costly settlement arrangements.

RESULTS OF OPERATIONS

The Company's comparative consolidated operating results for the years ended December 31, 2010 and 2009 are as follows:

(all numbers in thousands)	2010	% of sales	2009	% of sales
Sales	$ 88,113	100.0%	$ 75,261	100.0%
Cost of goods sold and other expenses	63,441	72.0%	57,957	77.0%
Preproduction costs	1,378	1.6%	1,787	2.4%
Exit costs	5,638	6.4%	4,349	5.8%
Earnings before the following:	17,656	20.0%	11,168	14.8%
Amortization	6,322	7.2%	7,230	9.6%
P&E impairment charge[1]	3,250	3.7%	-	0.0%
Interest expense, net	294	0.3%	813	1.1%
Realization of CTL[2]	5,559	6.3%	-	0.0%
Other expense (income)	565	0.6%	(312)	(0.4)%
	15,990	18.1%	7,731	10.3%
Earnings before income taxes	1,666	1.9%	3,437	4.6%
Income taxes	2,400	2.7%	763	1.0%
Net earnings (loss) for the year	$ (734)	(0.8)%	$ 2,674	3.6%

(1) Plant and equipment

(2) Cumulative translation loss

SALES

Automodular's sales increased from $75.3 million in 2009 to $88.1 million in 2010 for the reasons noted below:

Canadian operations: Sales increased from $73.1 million to $86.4 million in 2010. Sales in the Company's Oakville-area operations were more than 50% higher than in 2009 as a result of the elimination of production downweeks in 2010. Partially offsetting this increase, our Oshawa-area operations were down over 50% when compared to 2009. The decrease in Oshawa-area sales was a result of the closure of the GM Oshawa's truck operations in May, 2009 and the termination of Automodular's remaining car contracts in September, 2010 as previously detailed.

US operations: US-based revenues of US$1.6 million were approximately US$0.3 million lower in 2010 than in 2009. As previously noted, Automodular's operations in Ohio ceased production in June, 2010, representing the termination of the last of the US operations of the Company. 2010 results are only slightly below 2009 levels notwithstanding only six months of production as a result of a substantial number of downweeks as well as the reduction from a two-shift to a one-shift operation for a portion of the year in 2009.

COST OF GOODS SOLD AND OTHER EXPENSES

Cost of goods sold and other expenses increased by $5.4 million from $58.0 million in 2009 to $63.4 million in 2010. On a gross basis, costs increased in part as a result of higher levels of sales. Cost of goods sold and other expenses as a percentage of sales is lower year over year due to the production downweeks experienced in 2009. While Automodular is able to avoid certain costs when its operations are idled, a portion of the Company's costs, mainly facility related, are fixed in nature.

PREPRODUCTION COSTS

Preproduction costs for 2010 total $1.4 million compared to $1.8 million in 2009. Expenditures in the current year relate to the pre-launch costs for the 2011 and 2012 model-year changes to Ford vehicles whereas the 2009 costs related to the 2011 model-year change and launch of the Lincoln MKT.

EXIT COSTS

Exit costs for 2010 total $5.6 million compared to $4.3 million in 2009. Costs in both periods are a result of contract terminations or expiration and the resultant closure of Oshawa and Ohio-area facilities.

Exit costs in 2010 relate to the closure of Automodular's Thornton facility in Oshawa as a result of the termination of its GM Oshawa-area contracts and the expiry of its contracts in Ohio. In respect of Oshawa, Automodular incurred the following pre-tax amounts: a net charge of $2.4 million for a lease termination fee, facility-related costs of $0.3 million, $0.2 million related to the write-off of certain supplies and $1.3 million for hourly and salaried staff severances. Following the termination of the Oshawa-area contracts, Automodular also recorded a plant and equipment impairment charge of $3.3 million. This charge is not part of exit costs and is reflected on the income statement as a separate line item below EBITDA. A total of US$0.2 million was incurred relating to the closure of Ohio-area operations including severance payments to hourly and salaried staff and related facility cleanup costs. The balance in exit costs in the current year relates to residual costs for Automodular's Montecorte facility in Whitby which had served GM's Oshawa truck plant until 2009. Subsequent to year-end, Automodular entered into an agreement to settle its remaining lease obligations on its Montecorte Street facility. Production at the Montecorte facility ended in 2009, but the lease for the facility was not scheduled to expire until November 21, 2011. Under the terms of the settlement, Automodular provided total consideration to the landlord of $1.4 million and restored the facility to the condition required by the lease. Amounts expended will be reflected in the first quarter of 2011.

In 2009, costs were incurred relating to the closure of GM's Oshawa Truck assembly plant. This resulted in the closure of Automodular's Montecorte facility and the termination of its hourly and salaried workers employed at the facility. Costs included severance paid to hourly and salaried employees as well as exit costs for the facility including but not limited to facility repair costs, residual equipment leases, and expected lease inducement costs over the balance of the facility lease as well as actual facility costs incurred post-closing. In 2009, as a result of a commercial settlement with GM, a portion of the exit costs incurred was reimbursed. Amounts received were included in revenues.

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 $11.2 million in 2009 to $17.7 million in 2010 for the reasons noted below:

Canadian operations: EBITDA from our Canadian operations increased substantially year over year. Oshawa operations were considerably behind 2009 levels and reported a negative EBITDA for 2010 as a result of the termination of its remaining contracts by GM, as previously noted. The improvement in EBITDA in our Oakville operations more than offset the weaker Oshawa results as vehicle demand resulted in higher production volumes and the elimination of production downweeks that were experienced in 2009.

US operations: EBITDA from our US operations was negative and essentially flat year over year.

Reconciliation of EBITDA to earnings before income taxes:

(all numbers in thousands)	**2010**	**2009**
EBITDA	$ 17,656	$ 11,168
Amortization	6,322	7,230
P&E impairment charge	3,250	-
Interest expense, net	294	813
Realization of CTA	5,559	-
Other expense (income)	565	(312)
	15,990	7,731
Earnings before income taxes	$ 1,666	$ 3,437

EARNINGS BEFORE INCOME TAXES

Earnings before income taxes of $1.7 million in 2010 are lower than the $3.4 million generated in 2009. Actual operating results in 2010 were an improvement over 2009, however, reported results are impacted by the recognition of a $5.6 million cumulative translation loss relating to the shutdown of operations in Automodular's last remaining US facility. The charge has no impact on the cash position of the Company and is merely a reallocation of amounts between separate categories of Shareholders' Equity.

AMORTIZATION

Amortization decreased from $7.2 million in 2009 to $6.3 million in 2010 due to a reduction of assets in use resulting from the expiry and termination of contracts with GM in 2009 and 2010.

INTEREST EXPENSE, NET

Interest expense, net, in 2010 is $0.5 million lower than the $0.8 million incurred in 2009. This reduction is a result of Automodular making the decision to utilize excess cash to repay its term credit facilities on March 31, 2010.

OTHER EXPENSE (INCOME)

The other expense (income) balance of $0.6 million in the current year relates primarily to a loss on disposition of marketable securities. In 2009, Automodular recorded a gain of approximately $0.3 million on the disposition of marketable securities.

INCOME TAXES

The effective tax rate for the current year is impacted by the recognition of the cumulative translation loss as it is a non-taxable item. Excluding this amount, the effective tax rate is approximately 33.2%. The rate is higher than the statutory rate because the losses on marketable securities trigger capital losses which are only deductible against capital gains. In 2008, the Company recorded a charge of $0.9 million to establish a full valuation allowance against its remaining US future tax assets. Accounting standards require that the Company assesses whether valuation allowances should be established against its future income tax assets based on the consideration of all available evidence using a "more likely than not" standard. The factors the Company uses to assess the likelihood of realization are its forecast of future taxable income and available tax planning strategies that could be implemented to realize the future tax assets. The Company determined that a valuation allowance was required on these amounts as a result of the expected expiry of certain US contracts combined with projected future operating losses from US operations. In each of 2009 and 2010, the Company increased its valuation allowance by $0.1 million. The effective rate in 2009 was 22.2% and was lower than the statutory rate primarily as a result of changes in future tax rates during the period over which timing differences are expected to reverse as well as the availability of unrealized capital losses to be applied against the gain on sale of marketable securities.

HISTORICAL ANNUAL DATA

(All numbers in thousands except per share amounts)	2010	2009	2008
Sales	$ 88,113	$ 75,261	$ 82,935
Net earnings (loss)	(734)	2,674	(6,865)
Earnings (loss) per share (basic and diluted)	(0.03)	0.11	(0.27)
Total assets	45,410	55,955	55,814
Total long-term liabilities	308	2,363	9,171
Cash dividends per share	$ 0.20	$ -	$ 0.06

2010 Versus 2009 Results

The income statement variances between 2009 and 2010 have been previously discussed. Total assets have decreased from $56.0 million to $45.4 million due to the termination of Automodular's Oshawa-area contracts by GM and expiry of the Ohio-area GM contracts. As a result of these factors, accounts receivable and P&E balances specifically are appreciably lower on the December 31 year-end balance sheet. The reduction in long-term liabilities is due to the early repayment of term credit facilities on March 31, 2010 as previously noted. During the fourth quarter of 2010, Automodular declared and paid a special dividend of $0.20 per common share on the outstanding shares of the Company. No dividends were declared or paid in 2009.

2009 versus 2008 results

2009 net earnings were higher than 2008 as a result of the $9.4 million goodwill write-off, recorded in the fourth quarter of 2008 coupled with the impact of a considerable number of production downweeks in the second half of 2008 as a result of lower automotive sales and weakening economic conditions in general. Normalizing for the goodwill write-off, operating results were similar in 2009 and 2008 as both the latter half of 2008 and first half of 2009 experienced a similar amount of production downtime. Total assets were essentially flat from 2008 to 2009. The decrease in long-term liabilities from 2008 to 2009 primarily represents the shifting of the Scotiabank facility from long-term in 2008 to current in 2009.

HISTORICAL QUARTERLY DATA - ROLLING EIGHT QUARTERS

(All numbers in thousands except per share amounts)

	2010				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	$	$	$	$	$	$	$	$
Sales	24,801	25,540	19,062	18,710	13,242	24,103	15,112	22,804
Net earnings (loss)	(202)	(2,324)	(963)	2,755	(972)	2,576	(1,069)	2,139
Per share (basic and diluted)	(0.01)	(0.09)	(0.04)	0.14	(0.04)	0.10	(0.04)	0.08

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. However, our financial results have been skewed by the impact of contract expiries and terminations given that we have a limited number of contracts. In Q1 and Q3, 2010, substantial exit costs were recorded that related to the termination by GM of our Oshawa-area contracts. Our Q2 results were impacted by the $5.6 million non-cash write-off of the cumulative translation loss following the closure of our last US operating facility as a result of the expiry of our Ohio-area contracts. 2009 quarter by quarter results were impacted by production downweeks experienced 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.

FOURTH QUARTER

(all numbers in thousands)	2010	% of sales	2009	% of sales
Sales	$ 18,710	100.0%	$ 22,804	100.0%
Cost of goods sold and other expenses	12,903	69.0%	16,768	73.5%
Preproduction costs	248	1.3%	531	2.3%
Exit costs	248	1.3%	1,428	6.3%
Earnings before the following:	5,311	28.4%	4,077	17.9%
Amortization	1,299	6.9%	1,725	7.6%
Interest expense, net	25	0.1%	180	0.8%
Other expense (income)	9	0.0%	(311)	(1.4)%
	1,333	7.1%	1,594	7.0%
Earnings before income taxes	3,978	21.3%	2,483	10.9%
Income taxes	1,223	6.5%	344	1.5%
Net earnings for the quarter	$ 2,755	14.7%	$ 2,139	9.4%

Sales of $18.7 million in the fourth quarter of 2010 were lower than the $22.8 million generated in the fourth quarter of 2009 primarily as a result of the termination of Oshawa-area contracts in September, 2010.

Exit costs in the fourth quarter of 2010 were considerably lower than in the same quarter in 2009. In the fourth quarter of 2009, Automodular recorded residual closure costs related to its Montecorte facility including an additional lease inducement in order to better reflect market rental rates. EBITDA of $5.3 million in the fourth quarter of 2010 was higher than the $4.1 million in the fourth quarter of 2009 primarily due to strong production volumes in our Oakville-area operations.

Amortization of $1.3 million in the fourth quarter of 2010 is lower than the $1.7 million figure in 2009 as a result of the lower asset base following the closure of the Company's Oshawa-area operations. Interest expense in the current quarter is negligible following the repayment of Automodular's term credit facilities on March 31, 2010. The fourth quarter of 2009 included a gain on the sale of marketable securities of $0.3 million. There were no similar items in the fourth quarter of 2010.

Pre-tax fourth quarter earnings were $4.0 million in 2010 compared to $2.5 million generated in the same period in 2009. The effective tax rate for the fourth quarter of 2009 was much lower than in the same quarter in 2010 as a result of a statutory reduction in future income tax rates. Net earnings for the fourth quarter of 2010 of $2.8 million compare to $2.1 million in the same quarter in 2009.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

(All numbers in thousands)	2010	2009
Net earnings (loss)	$ (734)	$ 2,674
Non-cash items	17,054	8,287
Non-cash working capital	8,748	(5,387)
Cash from operations	$ 25,068	$ 5,574

Cash generated from operations is substantially higher in 2010 than in 2009. Improved operating results driven by increased production volumes in Automodular's Oakville-area operations generated strong cash flows. The termination of the Company's Oshawa-area contracts by GM and contract expiries in Ohio positively impacted cash from operations as working capital tied up in those contracts was realized.

Investing Activities

(All numbers in thousands)	2010	2009
Purchase of P&E (net)	$ (1,967)	$ (3,115)
Purchase of marketable securities (net)	158	(913)
	$ (1,809)	$ (4,028)

Net purchases of plant and equipment (purchases less proceeds on dispositions) decreased by $1.1 million as a result of proceeds realized on the disposition of Automodular's Oshawa-area assets following the contract termination. On a gross basis, purchases were at similar levels to 2009. 2010 expenditures related to the 2011 and to a lesser extent the 2012 model year changes for Ford. Expenditures in 2009 related primarily to residual expenditures on the Lincoln MKT program in Oakville and the Chevrolet Camaro program in Oshawa, both of which launched in 2009, as well as expenditures relating to the Ford Edge 2011 model year change.

On a net basis, Automodular reduced its investment portfolio in 2010 through the sale of certain marketable securities. This compared to net expenditures of $0.9 million in 2009.

Financing Activities

(All numbers in thousands)	2010	2009
Shares repurchased under Substantial issuer bid (gross)	$ (5,374)	$ -
Dividends paid (net)	(3,981)	-
Repayment of long-term liabilities	(8,637)	(2,506)
Cash used in financing activities	$ (17,992)	$ (2,506)

As previously discussed, Automodular completed a Substantial issuer bid in 2010. $5.0 million worth of shares were repurchased and cancelled and Automodular incurred $0.4 million in transaction costs as a result of this transaction. Automodular declared and paid a special dividend of $0.20 per share on all outstanding common shares during December, 2010. No dividends were declared or paid in 2009. Repayments of long-term liabilities were much higher in 2010 and 2009 as the Company elected to repay its two term credit facilities on March 31, 2010. The Company's remaining outstanding long-term debt consists of capital leases.

UNUSED AND AVAILABLE FINANCING RESOURCES

Automodular's cash and cash equivalents on hand at year-end totaled $10.3 million compared to $5.1 million at the end of 2009. The Company elected not to renew its $10.0 million operating line following its expiry in October, 2010. Automodular enters 2011 with a strong balance sheet and expects that its cash on hand and expected cash flows from operations are sufficient to fund the needs of the Company during the 2011 fiscal year.

OFF BALANCE SHEET FINANCING

The Company's off balance sheet financing includes operating lease commitments. Total commitments are set out in the chart below under *"Contractual Obligations Due by Year"* and total $13.4 million.

FINANCIAL INSTRUMENTS

Automodular does not have any financial instruments outstanding. Until the repayment of its Scotiabank term credit facility in Q1, 2010, the Company was committed to an interest rate swap agreement. The agreement subjected the Company to a fixed rate of 8.29% and the counterparty to a floating three-month LIBOR rate plus 3.5%. Automodular paid $0.1 million to unwind the swap upon repayment of the related credit facility.

The Company does not enter into foreign exchange contracts for speculative purposes.

CONTRACTUAL OBLIGATIONS DUE BY YEAR

(All numbers in thousands)	2011	2012	2013	2014	2015	Thereafter
Capital leases	$ 390	$ 308	$ -	$ -	$ -	$ -
Operating leases	4,226	3,037	1,856	1,665	1,656	276
Total contractual obligations	$ 4,616	$ 3,345	$ 1,856	$ 1,665	$ 1,656	$ 276

SHAREHOLDERS' EQUITY

Shareholders' equity decreased from $37.6 million at December 31, 2009 to $33.2 million at December 31, 2010. The decrease is a result of the repurchase and cancellation of $5.0 million in shares together with related costs as part of the Substantial issuer bid as well as the payment of dividends net of net earnings from operations excluding the realization of the cumulative translation loss. As noted earlier, the cumulative translation loss was already recorded as a charge against shareholders' equity in previous periods.

OUTSTANDING SHARE DATA

(All numbers in thousands except share data)

	December 31, 2010		December 31, 2009	
	#Outstanding	Amount	#Outstanding	Amount
Common shares	20,393,679	$ 44,570	25,949,233	$ 49,832

The reduction in number of shares and related dollar amount is due to the repurchase of shares as part of the Substantial issuer bid. Transaction costs net of taxes have been included as a cost of the transaction.

From December 31, 2010 to the date of this filing there has been no change in the number of shares outstanding.

RELATED PARTY TRANSACTIONS

In October, 2007, the Company secured new financing with The Bank of Nova Scotia (sometimes referred to herein as "Scotiabank" or "BNS") which also owns 100% of Scotia Merchant Capital Corporation ("SMCC"). The BNS credit facilities were amended to include a three-year non-revolving $7.0 million term loan and a $10.0 million revolving term facility. At that time, SMCC directly owned 39.9% of the issued and outstanding common shares of the Company. Andrew Brenton and Garth Davis, directors of the Company, were formerly Managing Partner and Partner, respectively, of SMCC. Each of Mr. Brenton and Mr. Davis declared his interest in the transaction and refrained from voting on the matter. The financing was used for general corporate purposes, including the expansion related to the second Ford Program and Oshawa-area contract awards. BNS earned customary banking fees. The term facility was repaid in full on March 31, 2010 and the revolving facility was not renewed by Automodular in October of 2010 when the agreement terminated in accordance with its terms. At such date, Mr. Brenton and Mr. Davis were "independent directors" within the meaning of applicable corporate and securities legislation and SMCC owned less than 20% of the issued and outstanding common shares of Automodular.

In July, 2006, the Corporation completed a secured $6 million financing with Roynat Inc., a wholly-owned subsidiary of The Bank of Nova Scotia which also owns 100% of SMCC. At such time, SMCC exercised control or direction over 39.9% of the issued and outstanding common shares of the Corporation. Andrew Brenton and Garth Davis, directors of the Corporation, were, at such time, Managing Partner and Partner, respectively, of SMCC. Each of Mr. Brenton and Mr. Davis declared his interest in the transaction and refrained from voting on the matter. The financing was used for the purchase of plant and equipment required for the Corporation's new program for Ford in Oakville, Ontario. This credit facility was being repaid over a six-year term at lender's floating base rate plus 4%. Roynat Inc. earned customary banking fees. The facility was repaid in full on March 31, 2010.

2011 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 forwardlooking statements. Automodular has from time to time provided a financial outlook in its filings but in the third quarter of 2008 determined it was not appropriate to provide outlook guidance. Please review our forward-looking statement disclaimer at the end of this MD&A which includes a list of material factors and assumptions applied in providing these forward-looking statements.

Automodular began 2011 with $10.3 million in cash on hand and production schedules continue to show strong volumes for our Oakville operations.

Automodular's multi-year agreement with Ford is set to expire June 30, 2012 and the Company is in discussions with Ford in respect of a renewal. As described in the risk factors section of this report, as part of this review Ford will be considering other suppliers for the work currently performed by Automodular as well as whether it is more economical for Ford to do the work themselves. There can be no assurance that Automodular will be successful in obtaining a renewal of this agreement.

As mentioned earlier, as a result of the reorganization undertaken by the OEMs in 2009 and 2010, the differential between our fully loaded labour rate and that of the OEMs is smaller than it was. This has resulted in a reduction in future opportunities and the volume of new bids that we are being asked to consider is appreciably lower than in previous years. Over the short term, there is considerable risk of disruption to existing programs if contracts are transitioned mid-stream. We anticipate that there will be increased pressure in 2011 on sub-assembly and sequencing suppliers to meet substantial cost reduction targets imposed by the OEMs.

In addition, we expect that the availability of credit for automotive initiatives will remain quite limited.

Automodular continues to look for opportunities that would diversify its operations while still utilizing the skill set of its existing management team. A Diversification Committee composed of certain Directors and members of management was established in 2010 to identify and review strategic business combinations.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are more fully described in Note 1 *"Basis of Presentation"* to our consolidated financial statements for the year ended December 31, 2010. Certain of our accounting policies require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on our historical experience, the terms of existing contracts, our evaluation of trends in the industry, information provided by our customers and suppliers and information available from other outside sources, as appropriate. However, such estimates and assumptions are subject to an inherent degree of uncertainty and actual results may differ significantly from our estimates.

We consider an accounting estimate to be critical if it requires us to make assumptions about matters that were uncertain at the time the estimate was made and changes to the estimate would have a significant impact on our consolidated financial position or results of operations.

Amortization of plant and equipment

Automodular considers the amortization policy relating to plant and equipment to be a *"significant accounting policy"*. Automodular considers the expected life of the assets, expected residual value, and contract length when setting the amortization rate of its assets.

Exit costs

Automodular considers exit costs to be a *"critical accounting estimate"*, due to the material nature of amounts generally involved and their inherent uncertainty at the time estimates are made. Accruals have been recorded in conjunction with the expiry or termination of production contracts and include estimates primarily related to severance and facility-related costs. As actual costs may vary from these estimates, they are reviewed on a quarterly basis and changes recognized when identified.

Future income tax assets and liabilities

Future income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. To the extent that management does not consider it to be more likely than not that a future income tax asset will be realized, a valuation allowance is provided. The Company considers this allowance *"a critical accounting estimate"* as highly uncertain assumptions are made at the time of estimation and differing estimates may result due to changes in the assumptions from period to period which may have a material impact on the Company's consolidated financial statements. Factors used to assess the likelihood of realization are the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the future tax assets. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant changes in events, tax laws, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.

As at December 31, 2010, the cumulative valuation allowance booked against future income taxes in relation to US non-capital losses is $1.0 million. The valuation allowance is reflected in the net future income tax liability from continuing operations balance of $2.0 million on the consolidated balance sheets of the Company.

Impairment of long-lived assets

Management assesses for impairment of long-lived assets when events and changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company believes that the estimate of impairment for long-lived assets is a *"critical accounting estimate"* because management is required to make significant forward-looking assumptions when events or circumstances indicating impairment arise. In addition, different estimates that

could have been used or changes in estimates from period to period may have a material impact on the Company's consolidated financial statements. Recoverability is assessed by comparing the carrying amount first to the estimated undiscounted future cash flows. An impairment loss is measured when the carrying amount of the long-lived asset exceeds its fair value which can be determined using the discounted future cash flows the long-lived assets are expected to generate. Cash flows are estimated using internal budgets based on recent sales data and independent automotive production volume estimates as well as assumptions relating to discount rates. Changes in economic or operating conditions impacting these estimates and assumptions could result in the impairment of long-lived assets. Automodular recorded an impairment charge on its plant and equipment of $3.3 million in the first quarter of 2010 as a result of GM's termination of the Oshawa-area contracts that supported GM's car operations. There were no subsequent adjustments made to the impairment charge. Residual assets used in the Oshawa-area operations were sold to third parties or transferred to our Oakville operations for use there.

Defined benefit pension plan

As disclosed in Note 12 of the audited consolidated financial statements, Automodular has a defined benefit pension plan for a senior executive of the Company. The Company believes that estimates relating to the discount rates, rate of compensation increase and long-term rate of return on plan estimates constitute a *"critical accounting estimate"* because of the significant forward-looking assumptions required. Plan assets and obligations are measured using various actuarial assumptions such as discount rates, expected long-term rate of return on plan assets, rate of compensation increase, and retirement age. Automodular utilizes the services of third-party specialists to provide inputs as they relate to these variables. The measurement of the defined benefit pension expense is based on various actuarial assumptions including discount rates, expected return on plan assets and the rate of compensation increase. We review our actuarial assumption on an annual basis and modify these assumptions when appropriate. The last actuarial valuation was completed as of January 1, 2011.

Revenue recognition

Automodular considers revenue recognition to be a *"critical accounting policy"*. We enter into agreements with our customers to provide services at the beginning of a vehicle's life. Although such agreements do not provide for minimum quantities, once we enter into such agreements, we are generally required to fulfill our customers' purchasing requirements for the length of the commercial agreement. In general, these agreements may be terminated by our customer for convenience at any time. In certain instances, we may be committed under existing agreements to supply services to our customers at selling prices which are not sufficient to cover the direct cost of production. In such situations, we recognize the losses as they are incurred.

We recognize revenues based on the pricing terms included in our commercial agreements as the components are shipped to our customers. We are often asked to provide our customers with annual cost reductions as part of certain agreements. We accrue for such amounts as a reduction in revenue as the components are shipped to our customers. In addition, we have ongoing adjustments to our pricing arrangements with our customers based on the adjustments to content (scope creep) and other commercial factors. Such pricing accruals are adjusted as they are settled with our customers.

CHANGES IN ACCOUNTING POLICIES

International financial reporting standards ("IFRS")

The Accounting Standards Board ("AcSB") has set January 1, 2011 as the date that IFRS will replace current Canadian 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 Canadian 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"* as well as 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") had completed Phase 1 of the changeover plan and together with management presented its proposed IFRS accounting policies to the Audit Committee.

Phases 2 and 3 of the changeover plan are now complete. The Team identified key accounting policy differences and completed the quantification of the impact of these differences to the Company's consolidated financial statements. Management has presented the results of Phases 2 and 3 to the Audit Committee. These results are discussed below.

First Time Adoption of IFRS

Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time. *"First-Time Adoption of International Financial Reporting Standards"* ("IFRS 1") provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS.

Summary of the IFRS Transition Plan ("the plan")

The plan addresses the impact of IFRS on accounting policies and implementation decisions, infrastructure, business activities and financial statement preparation and disclosures. A summary status of the key elements of the transition plan is as follows:

	Key activities	Status
Accounting policies and implementation decisions	Identification of differences between Canadian GAAP and IFRS accounting policies; Selection of the Company's ongoing IFRS policies; Selection of the Company's IFRS 1 elections; Development of financial statement format; Quantification of effects of change in initial IFRS 1 disclosures and 2010 financial statements as well as transition supplemental disclosures.	The Team has identified differences between Canadian GAAP and IFRS accounting policies, both on an ongoing basis and with respect to certain choices available on conversion, made in accordance with IFRS 1. The accounting policies have been presented to the Company's Audit Committee for approval. The Team has developed both the financial statement format and the required note disclosures under IFRS, both the required transitional and ongoing disclosures.
Financial reporting expertise	Development of IFRS expertise.	The Team has provided educational materials to both the Audit Committee and key members of management and staff. Training will continue during Q1 2011.
Information technology and data systems	Development of systems solutions for the transition period and the post-convergence period.	The Team had previously identified the key areas of change were the property, plant and equipment subledgers. The Team has amended the subledgers to ensure they are capable of tracking the information required to be compliant with the new IFRS accounting policy and the related reporting requirements.
Business practices	Identification of impact on business practices; Completion of any required renegotiations or changes in the fourth quarter of 2010.	There was no significant impact on any of the Company's business practices as a result of the transition to IFRS.
Compensation arrangements	Identification of impact on compensation arrangements; Assessment of required changes in the fourth quarter of 2010.	The Team has concluded that there are no significant changes on compensation arrangements.
Internal control over financial reporting	For all accounting policy changes identified, assessment of Internal Controls over Financial Reporting ("ICFR") design and effectiveness implications; Implementation of appropriate changes in the fourth quarter of 2010	The Team has concluded there are no significant changes with respect to ICFR.
Disclosure controls and procedures	For all accounting policy changes identified, assessment of Disclosure Controls and Procedures ("DC&P") design and effectiveness implications; Implementation of appropriate changes in the fourth quarter of 2010.	The Team has concluded there are no major issues with respect to DC&P.

In the interest of full disclosure, below is a copy of the transitional balance sheet management has presented to the Company's Audit Committee for consideration.

Reconciliation of Consolidated Balance Sheet as of January 1, 2010

(thousands of Canadian dollars)

Balance Sheet	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
Cash and cash equivalents	$ 5,072	$ -	$ -	$ 5,072
Receivables	17,274	-	-	17,274
Income taxes recoverable	184	-	-	184
Prepaid expenses	3,631	-	-	3,631
	$ 26,161	$ -	$ -	$ 26,161
Marketable securities	1,210	-	-	1,210
Plant and equipment	27,882	(1,450)	-	26,432
Other assets	702	(127)	-	575
	$ 55,955	$ (1,577)	$ -	$ 54,378
Accounts payable and accrued liabilities	$ 8,002	$ -	$ (2,081)	$ 5,921
Provisions	-	-	2,081	2,081
Current portion of long-term liabilities	6,900	-	-	6,900
	$ 14,902	$ -	$ -	$ 14,902
Future income taxes	1,101	(394)	-	707
Long-term liabilities	2,363	-	-	2,363
	$ 18,366	$ (394)	$ -	$ 17,972
Shareholders' equity				
Capital stock	49,832	-	-	49,832
LTIP	(593)	-	-	(593)
Contributed surplus	706	-	-	706
Other comprehensive income (loss)	(5,557)	-	5,557	-
Deficit	(6,799)	(1,183)	(5,557)	(13,539)
	$ 55,955	$ (1,577)	$ -	$ 54,378

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

Plant and equipment

The Team anticipates that the net book value of certain items of plant and equipment will change upon conversion to IFRS compared to the carrying value currently reported under Canadian GAAP. This change is due to a change in amortization resulting from asset componentization, which involves breaking down an asset by identifying significant individual components and separately depreciating those individual components over their useful lives and a change on the date on which plant and equipment start being amortized. The overall impact is expected to be a decrease in the carrying value of plant and equipment of approximately $1,450.

Impairment of Assets

International Accounting Standards ("IAS") and Canadian GAAP utilize different approaches to impairment testing. Canadian GAAP utilizes a two-step approach to impairment testing by 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. Upon final review of the transitional calculations, the Team has concluded there will be no impairment charge required in the Company's transitional balance sheet.

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.

Leases

Under IAS 17, *Leases*, lease classification depends on whether substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred from the lessor to the lessee, and is made at inception of the lease. Canadian GAAP utilizes quantitative thresholds as an indicator to assist in the lease classification process; however such quantitative thresholds are not utilized under IFRS. Upon final review of the Company's existing lease agreements, there will be no changes to the Company's balance sheet with respect to the leases or lease classification resulting from the transition to IFRS.

Income Taxes

An exposure draft related to income taxes was released by the IASB and a new standard was anticipated prior to IFRS conversion on January 1, 2011, however the scope of the draft has been reduced and it is highly unlikely that a new standard will be issued prior to the IFRS conversion implementation date. As a result, the Company has not finalized analyzing the impact of IAS 12, *Income Taxes,* with respect to the accounting for income taxes. The proposed amendments to IAS 12, *Income Taxes,* require a probability weighted approach in determining the amount of provision required for uncertain tax provisions where Canadian GAAP allows alternatives which are a matter of accounting policy. There will be no significant changes to the financial statements as a result of these changes

Provisions

The Company's current accounting policy under Canadian GAAP is to recognize a provision when it is "likely" that a future event will confirm that a liability has been incurred. The term "likely" in this context is a higher recognition threshold than "more likely than not". The term "contingent liability" under Canadian GAAP refers to both recognized and unrecognized uncertain obligations. Canadian GAAP does not have separate terms to describe contingent liabilities that meet the recognition criteria versus those that do not. As a result of transitioning to IFRS, the balance sheet will contain a new line item entitled "Provisions" and the Company will reclassify certain of its provisions or contingent liabilities to be reported in this new financial statement line item. There will be no additional provisions recorded as a result of transitioning to IFRS.

Foreign currency translation adjustment

The Company expects to apply the one-time exemption to set the foreign currency cumulative translation adjustment ("CTA") to zero as of January 1, 2010. The CTA balance as of January 1, 2010 of $5.6 million was recognized as an adjustment to retained earnings. The application of the exemption would have no impact on net shareholders' equity.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that relevant and accurate information needed to comply with the Company's continuous disclosure obligations is accumulated and summarized to allow timely decisions regarding disclosure and to ensure that the risk of material error or fraud is minimal. The CEO and CFO have evaluated and tested the effectiveness of Automodular's disclosure controls and procedures as at the end of the period covered by the annual filings and have concluded that they are effective in ensuring that material information is accumulated and disclosed accurately.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management evaluated the design and effectiveness of its internal controls and procedures over financial reporting as defined under National Instrument 52-109 for the year ended December 31, 2010. The evaluation was performed by the CEO and the CFO of Automodular with the assistance of other management and staff to the extent necessary. Based on this evaluation, the CEO and the CFO concluded that the internal controls and procedures over financial reporting were appropriately designed and operating effectively. There were no material changes in the Company's internal controls over financial reporting in the year ended December 31, 2010 that have had, or are reasonably likely to have, a material effect on Automodular's internal controls over financial reporting.

Automodular will continue to analyze its controls and procedures for areas of improvement. In spite of its evaluation, management does recognize that "cost-effective" disclosure controls, disclosure procedures and internal control systems can only provide reasonable assurance, and not absolute assurance, that the objectives of the controls and procedures are met.

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.

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 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.

Specific forward-looking statements in this document include the following:

- the ongoing impact of economic conditions on the sub-assembly industry and our ongoing role within the industry;
- the outcome of the claim filed for damages arising from the breach of contract by GM;
- the assessment of whether valuation allowances should be established against US-based future tax assets;
- that cash on hand at year-end and expected cash flows from operations are sufficient to fund the needs of the Company during the 2011 year;
- the expiry of Automodular's multi-year agreement with Ford on June 30, 2012 and ongoing discussions in respect of a renewal of the contract;
- the expectation that there will be increased pressure in 2011 to meet substantial cost reduction targets imposed by OEMs;
- that 2011 production schedules continue to show strong volumes for our Oakville operations;
- the expectation that the availability of credit for automotive initiatives will remain quite limited; and
- that Automodular will continue to look for opportunities that would diversify its operations.

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.**

March 24, 2011