

November 12, 2007

Management's Discussion and Analysis of Operating Results and Financial Position ("MD&A")

The following MD&A of our consolidated operating results and financial position is for the three and nine month periods ended September 30, 2007 and 2006 and should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 2007 and 2006 and the notes thereto as well as the Company's 2006 annual report and audited financial statements. The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All amounts in the financial statements and MD&A are shown in Canadian dollars unless otherwise indicated.

Automodular Corporation ("Automodular" or "the Company") is a sequencer and sub-assembler of modules that are installed in cars and trucks assembled by North American Original Equipment Manufacturers ("OEMs") at plants in Canada and the United States. At present we employ in excess of 900 people in 5 operating facilities servicing 5 OEM plants.

THIRD QUARTER OVERVIEW

Third quarter sales increased from \$10.2 million in 2006 to \$21.9 million in 2007 and net earnings increased from \$0.2 million or \$0.01 per share in 2006 to \$1.5 million or \$0.07 per share in 2007.

Significant events during the third quarter of 2007 included the following:

- Earnings year over year continue to be strong as a result of our Oakville crossover and Oshawa truck programs. At the same time last year, both programs were in the pre-production phase whereas both have been running at full commercial production levels throughout 2007.
- The Company successfully negotiated a renewal contract with the National Automobile, Aerospace, Transportation and General Workers Union of Canada ("CAW") for its Oshawa-area workers. The contract provides improvements in wages and benefits and will have a 3-year term. The contract negotiations did not impact day to day operations and was seamless to our customers. The new contract provides the Company with greater cost certainty when bidding on potential new business.
- Automodular entered into a long-term lease for a new facility to accommodate new Oakville-area contract awards. The Company will take occupancy in the next quarter.
- Subsequent to the third quarter, the Company completed new bank financing comprising a 3-year non-revolving \$7 million term loan to help fund previously announced contract awards and a \$10 million revolving term facility for general corporate purposes.
- Subsequent to the quarter-end, the Company sold 3,900,000 common shares at a price of \$2.00 per share for aggregate gross proceeds of \$7,800,000 on a bought deal basis pursuant to an underwriting agreement entered into with Scotia Merchant Capital Corporation ("the Selling Shareholder"), GMP Securities L.P. and Canaccord Capital Corporation. The Selling Shareholder also sold 3,000,000 common shares pursuant to the offering, which closed on November 2, 2007. As a result of the Offering, the Selling Shareholder's position in the company was reduced to 21.3% from 38.7%

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

	2007			2006				2005
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	21,941	27,050	27,721	12,656	10,206	17,133	17,890	19,660
Net Earnings	1,546	2,222	1,477	160	199	591	577	9,302
Per share	0.07	0.10	0.07	-	0.01	0.03	0.03	0.46

Although economic conditions have weakened and North American automotive sales are down over the last several months, the Company's results have improved for a couple of reasons. 2006 was a year of transition for Automodular. In the second half of the year the majority of our operations were in the pre-production phase and earnings were not generated during that phase. As noted earlier, these operations are now at full commercial production levels. As well, our results are stronger because the vehicle platforms we provide services for are generally among the top performing platforms for the OEMs we service.

Sales and earnings reported during the third and fourth quarter of any given year are generally weaker than the first and second quarters of the year. In the third quarter, traditionally during early July, OEMs typically take a 2-week production shutdown. This downtime is scheduled to allow for routine maintenance on all equipment used in the production process. Fourth quarter results are generally weaker due to the additional holidays around Christmas.

The Q4 2005 results included a \$10.5 million gain on outstanding litigation.

RESULTS OF OPERATIONS

Automodular's comparative consolidated operating results for the three and nine months ended September 30, 2007 and 2006 are as follows:

SALES

Automodular's sales increased from \$10.2 million during the third quarter of 2006 to \$21.9 million during the third quarter of 2007. Canadian sales increased as a result of the Company's Oakville-based operations being in full production whereas in 2006 production had not yet started. During the same quarter of 2006, reductions in production rates at the Company's Oshawa-area facilities because of de-rates (reductions in line speed) in car operations and the shutdown of the truck operations to facilitate the new platform, contributed to lower sales volumes. US sales declined as a result of the closure of the Company's Lansing operations in June, 2007.

Year to date sales of \$76.7 million are \$31.5 million higher than the same period in 2006. The increase in sales is a result of the Company's Oakville operations and Oshawa truck operations as described above. The increase is partially offset by lower US-based sales as a result of the closure of the Company's Pontiac operations at June 30, 2006 and scale down of the Lansing operations leading up to the final Michigan based facility's closure in June, 2007.

EARNINGS BEFORE INTEREST, TAXES, 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 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 \$0.2 million in the third quarter of 2006 to \$4.1 million during the third quarter of 2007. This \$3.9 million increase in EBITDA during the quarter is primarily due to the Company’s Oakville crossover vehicle and Oshawa truck operations hitting full commercial production levels in the first quarter of 2007 and the last quarter of 2006 respectively. The low EBITDA experienced during the third quarter of 2006 was due to the Company’s Oshawa-area truck operations, which were shut down for three weeks in September 2006 to accommodate the new truck program launch.

Year-to-date EBITDA of \$13.6 million represented an \$11.1 million increase over the same nine-month period during 2006, for the reasons noted above.

Reconciliation of EBITDA to earnings before income taxes:

	For the three months ended September 30		For the nine months ended September 30	
	2007	2006	2007	2006
EBITDA	\$ 4,082	\$ 163	\$ 13,647	\$ 2,453
Amortization	1,654	517	5,003	1,565
Interest expense (income), net	7	(103)	466	(207)
Foreign exchange loss (gain)	88	(105)	111	(279)
Other income	-	(453)	(2)	(904)
	1,749	(144)	5,578	175
Earnings before income taxes	\$ 2,333	\$ 307	\$ 8,069	\$ 2,278

EARNINGS BEFORE INCOME TAXES

Earnings before income taxes increased from \$0.3 million to \$2.3 million during the third quarter of 2007. The increase in 2007 is due to the Company’s Oakville crossover and Oshawa truck operations. Both operations were producing at full commercial production levels during the third quarter of 2007 while neither operation was producing at commercial levels during the third quarter of 2006. The Oakville crossover vehicle operations hit full commercial production during the first quarter of 2007 while the Oshawa truck operations hit full commercial production during the final quarter of 2006.

The year-to-date earnings before income taxes increased \$5.8 million from \$2.3 million in 2006 to \$8.1 million in 2007. The primary reason for the year over year increase is the strong performance of the Company’s Oakville crossover vehicle operations and Oshawa truck operations, which were not at full commercial production levels during 2006. Offsetting this is a

lower earnings contribution from the Company's US Michigan-based operations, particularly in Pontiac which were closed June, 2006.

AMORTIZATION

Amortization for the current quarter of \$1.7 million is \$1.2 million higher than the third quarter of 2006 and year to date of \$5.0 million is \$3.4 million higher than 2006. The increase is primarily a result of the amortization of capital and pre-production costs relating to the Company's Oakville operations which were in pre-production mode in 2006.

INTEREST

Interest expense is \$0.1 million higher in the third quarter of 2007 than in the third quarter of 2006. During 2006, interest costs incurred related to the launch of the Ford Flex program in Oakville and were capitalized in the pre-production program. In the current year, the majority of expenditures relating to the Ford Flex program have been paid out of operating cash flows to date. Year to date interest expense of \$0.5 million compares to prior year interest income of \$0.2 million. As noted above, interest expense is higher because interest costs on non-revolving credit facilities are substantially expensed in the current year whereas in 2006 a larger portion was capitalized as part of pre-production costs.

INCOME TAXES

The Company's effective income tax rate is slightly higher on a year over year basis primarily as a result of capital taxes constituting a larger effective percentage on lower earnings in 2006.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash of \$6.0 million provided by operations in the third quarter of 2007 compares to cash provided by operations of \$0.1 million in the same period of 2006. The increase is primarily a result of the contribution provided by the Oakville crossover and Oshawa truck operations which were both in the pre-production phase in Q4 2006.

Year-to-date cash of \$14.4 million provided by operations compares to \$3.0 million cash provided by operations during the same period of 2006. The increase is due to the Company's Oakville operations, which commenced commercial production during the fourth quarter of 2006 and stronger Oshawa-area operations during 2007 due to reasons discussed previously.

Investing activities

Net cash expenditures of \$3.1 million during the third quarter compares to spending of \$4.6 million during the same period of 2006. The current period's expenditures relate in large part to launch costs incurred for Oakville's Ford Flex program which is expected to enter into production in Q2 2008. The prior year's figure represents the costs incurred in relation to the ramp-up of the Oakville's Ford Edge/Lincoln MKX programs which came on line in Q4 2006. Proceeds of \$0.1 million were realized during the third quarter of 2006 on the disposal of redundant assets in the Company's Michigan-based operations.

Year-to-date net cash expenditures of \$5.8 million compare to net spending of \$15.9 million during the same period of 2006. As discussed above, the prior year's figure represents costs incurred in relation to the Company's Oakville operations, partially offset by proceeds received on the sale of redundant assets in Michigan.

Financing activities

Repayment of long-term liabilities in the third quarter includes \$0.8 million relating to the term credit and equipment financing facilities with the balance relating to capital leases. Automodular financed the purchase of \$2.1 million in equipment through capital leases. During the same quarter in 2006, Automodular drew the full \$6 million it had available on its equipment financing facility and financed the purchase of \$0.6 million in equipment through capital leases.

Year-to-date cash used by financing activities of \$7.6 million compares with cash provided by financing activities of \$4.0 million during the same period of 2006. The current year figure includes the repayment of the Company's bank indebtedness of \$4.9 million and long-term liabilities repayment of \$2.7 million. During the same period of 2006, the Company had repaid \$2.0 million of long-term liabilities and had received proceeds from an equipment financing facility of \$6.0 million.

UNUSED AND AVAILABLE FINANCING RESOURCES

The Company has available to it a \$10 million operating line. At September 30, 2007, the Company had not drawn on the line, compared to a year-end book bank indebtedness of \$4.9 million.

SHAREHOLDERS' EQUITY

Shareholders' equity increased from \$35.8 million at December 31, 2006 to \$39.8 million at September 30, 2007 primarily as a result of the earnings in the first, second and third quarters. There are 25,949,233 shares issued and outstanding as at the date of this filing (after giving effect to the treasury offering which closed November 2, 2007 as described in note 11 (b)).

OUTLOOK

The outlook for 2007 remains positive as Automodular continues to benefit from the investments made in Oshawa and Oakville in 2005 and 2006. The Company expects to achieve its previously disclosed 2007 budget metrics.

The finalization of debt and equity financing subsequent to quarter end has greatly improved the strength of Automodular's balance sheet. In conjunction with expected operating cash flows, the Company has sufficient funds available to fund new contract awards and be on the lookout for other opportunities as they arise.

The outlook for 2008 and 2009 is for an expansion of facilities leading to higher revenues and profits. During the first quarter of 2008, Automodular's Oakville operations will see commercial production of the new Ford Flex vehicle. While the integration and ramp up of this new vehicle in Ford's Oakville Assembly Plant will initially cause lower volumes of production, and lower sales and profits for Automodular, full commercial production will be achieved in the second half of 2008 and make a substantial positive contribution to sales and profits in the later months of the year. Change is taking place in Oshawa as well, with GM's Oshawa Car Final Assembly

plant undergoing significant modifications to pave the way for introduction of the new Camaro in 2009. These rearrangements will reduce production volumes while they are taking place, temporarily lowering sales and profits for Automodular, but Automodular anticipates this expansion will result in higher sales and earnings once commercial production is achieved in 2009.

Certain contracts for both car and truck operations in Oshawa are set to expire June 30, 2008. The Company will be quoting the extension of these contracts over the next few months. Earnings for 2008 will be affected by the results of these contract negotiations.

ACCOUNTING AND CONTROL MATTERS

Changes in Accounting Policies and New Accounting Pronouncements

The unaudited interim consolidated financial statements of the Company and notes thereto for the three and nine month periods ended September 30, 2007 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, 2006 and 2005, except for the following new accounting pronouncements which have been adopted effective January 1, 2007:

As required by the Canadian Institute of Chartered Accountants, on January 1, 2007, Automodular adopted CICA Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. The prospective adoption of these new standards resulted in changes in the accounting and presentation for financial instruments and hedging relationships as well as the recognition of certain transition adjustments that have been recorded in opening deficit or opening other comprehensive income. As required by the implementation of these new standards, the comparative unaudited interim consolidated financial statements have not been restated.

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, including 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 September 30, 2007.

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 third quarter ended September 30, 2007, 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". Forward-looking statements may include financial and other projections, as well as statements regarding our future plans, objectives or performance, or our underlying assumptions. The words "*estimate, anticipate, believe, expect, intend*" or other similar expressions are intended to identify forward-looking statements. Persons reading this MD&A are cautioned that such statements are only estimates, and that our actual future results or performance may be materially different.

Forward-looking information involves certain risks, assumptions, uncertainties and other factors which may cause actual future results to differ materially from those expressed or implied in any forward-looking statements. In Automodular's case, these factors principally relate to the risk with the automotive industry and include, but are not limited to: the effect of new accounting standards on our financial results; our ability to identify, close and integrate acquisitions; the ability to finance new business requirements; global economic conditions; fluctuations in interest and exchange rates; the continuation and extent of outsourcing by automotive manufacturers; our ability to meet customer needs relating to cost and quality; labour issues or disruptions; customer pricing pressures; actual levels of program production volumes differing from original expectations; our dependence on certain platforms; our relationship with and dependence on General Motors Corporation, General Motors of Canada Limited and Ford Motor Company of Canada, Limited; new program launch risks and other changes in the business environment in which we operate. Persons reading this MD&A 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 or the Company's website at www.automodular.com