

Management's Discussion and Analysis ("MD&A")

The following MD&A of our consolidated operating results and financial position is for the three month periods ended March 31, 2007 and 2006 and should be read in conjunction with the unaudited interim consolidated financial statements for the three-month period ended March 31, 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 6 operating facilities servicing 6 OEM plants.

FIRST QUARTER OVERVIEW

First quarter sales increased from \$17.9 million in 2006 to \$27.7 million in 2007 and net earnings increased from \$0.6 million or \$0.03 per share in 2006 to \$1.5 million or \$0.07 per share in 2007.

Accomplishments during the first quarter of 2007 included the following:

- The Company's Oakville operations hit commercial production levels during the quarter. Accordingly, the statement of earnings reflects the full revenues and costs of these operations.

Challenges during the first quarter of 2007

- Automodular's Lansing operations continued to experience lower production volumes through de-rates and downtime and the Company expects to close its remaining Lansing facility mid-year. Costs related to the closure will be recorded in the second quarter once they have been negotiated and determined.

RESULTS OF OPERATIONS

Automodular's comparative consolidated operating results for the three months ended March 31, 2007 and 2006 are as follows:

SALES

Automodular's sales increased from \$17.9 million during the first quarter of 2006 to \$27.7 million during the first quarter of 2007. The increase in sales is due to an increase in Canadian-based sales offset by a decline in US-based sales. Canadian sales increased as a result of the Company's Oakville-based operations coming into full production as well as the new truck program in Oshawa which hit full production levels at the end of the fourth quarter of 2006. US sales declined as a result of the closure of the Company's Pontiac operations in mid-2006.

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 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 \$3.0 million from \$1.3 million in the first quarter of 2006 to \$4.3 million during the first quarter of 2007.

The \$3.0 million increase in EBITDA during the quarter is primarily due to the Company’s Oakville car and Oshawa truck operations hitting commercial production levels in the first quarter of 2007 and the last quarter of 2006 respectively.

INTEREST

Interest expense is \$0.3 million higher in the first quarter of 2007 than in the first quarter of 2006 as a result of the draw on the Company’s available credit facilities following the launch of its Oakville and new Oshawa truck operations. In addition, interest costs relating to the Oakville operations were capitalized during the same period in 2006 as part of pre-production costs.

INCOME TAXES

The Company’s effective income tax rate is consistent with the prior year.

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

| | 2007 | 2006 | | | | 2005 | | |
|--------------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q1 | Q1 | Q2 | Q3 | Q4 | Q2* | Q3 | Q4 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Sales | 27,721 | 17,133 | 17,133 | 10,206 | 12,656 | 19,564 | 20,680 | 19,660 |
| Net earnings | 1,477 | 577 | 591 | 199 | 160 | 1,436 | 644 | 9,302 |
| Per share | 0.07 | 0.03 | 0.03 | 0.01 | 0.00 | 0.07 | 0.03 | 0.46 |

*restated

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating activities

Cash of \$1.2 million provided by operations in the first quarter of 2007 compares to cash provided by operations of \$4.6 million in the same period of 2006 due to the increase in working capital required upon launch of commercial production of the Company’s Oakville operations.

Investing activities

Net cash expenditures of \$1.6 million during the first quarter compares to spending of \$12.0 million during the same period of 2006. The prior year's figure represents the costs incurred in relation to the ramp-up of the Automodular's Oakville operations.

Financing activities

Repayment of long-term liabilities in the first quarter includes US\$0.8 million relating to the term credit and equipment financing facilities with the balance relating to capital leases.

UNUSED AND AVAILABLE FINANCING RESOURCES

Automodular's bank indebtedness on a book basis at the end of the first quarter of 2007 totaled \$6.4 million compared to a year-end book bank indebtedness of \$4.9 million. The Company has available to it an \$8 million operating line. At March 31, 2007, the Company had drawn \$6.2 million, which excludes all outstanding cheques.

SHAREHOLDERS' EQUITY

Shareholders' equity increased from \$35.8 million at December 31, 2006 to \$37.2 million at March 31, 2007 primarily as a result of the earnings in the first quarter. There are 22,049,233 shares issued and outstanding as at the date of this MD&A.

OUTLOOK

The outlook for 2007 remains positive as Automodular continues to benefit from the investments made in Oshawa and Oakville in 2005 and 2006.

As recently announced, Automodular expects to expand its GTA area workforce by approximately 375 personnel over the next 18 months to accommodate recent contract awards to sub-assemble and sequence commodities for North American OEMs commencing in 2008 and 2009.

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 month period ended March 31, 2007 have been prepared using the same accounting principles and methods as were used for the 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 March 31, 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 first quarter ended March 31, 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 Information Circular 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

May 10, 2007