MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION
For the Years Ended December 31, 2014 and 2013

This Management Discussion and Analysis ("MD&A") was prepared as of March 5, 2015 and should be read in conjunction with Automodular Corporation's (the "Company's") audited consolidated financial statements for the years ended December 31, 2014 and 2013, 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 International Financial Reporting Standards ("IFRS"). All dollar amounts are shown in Canadian dollars unless otherwise indicated. Unless the content indicates otherwise, references to "Automodular" or to "the Company" refer to Automodular Corporation and its direct and indirect subsidiaries, as well as its special purpose entity, which was wound down during 2014.

COMPANY AND INDUSTRY OVERVIEW

Automodular's primary business during 2014 and 2013 was the sequencing and sub-assembly of modules for installation in final products which were being assembled by the Original Equipment Manufacturer ("OEM"). These services were provided within the automotive sector.

Automodular used component parts to sub-assemble complicated modules, such as an instrument panel or a radiator support, for installation in vehicles which were being assembled by its customer, Ford Motor Company ("Ford"), in Ontario. In addition, Automodular provided sequencing services such that the sub-assembled modules arrived at Ford's final assembly plant in precisely the sequence of their final installation in each vehicle and at precisely the time they were to be installed.

Since the acquisition of Automodular Assemblies Inc., in the fourth quarter of 1997, Automodular provided complex sub-assembly and sequencing services to North American OEMs. Historically, our success has been 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 made 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.

On May 14, 2013, the Company was advised by Ford that, in the fourth quarter of 2014, for its new program, Ford intended to insource the sub-assembly and sequencing services that were being performed by Automodular. Ford stated that this decision was a strategic one; they viewed the modules that Automodular assembled to be "core" to the assembly of a vehicle and their goal was to try to have all core modules assembled in their final assembly plants. In addition to those strategic considerations, Automodular believes that Ford's cost structure was closer to ours then it has ever been. They were able to hire workers to do the work at compensation levels that were essentially at par with ours. Further, we had been informed that the Ford Oakville Assembly Plant had extra space to accommodate the work that was being insourced.

On October 18, 2013, Automodular signed an agreement with Ford that extended its existing multi-year agreement with Ford to December 23, 2014. Before the extension, the agreement was set to end on June 30, 2014. The general framework of the agreement was in keeping with Automodular's then-existing multi-year agreement. As part of the extension agreement, Ford provided certain production and price-related assurances and agreed to fund certain incremental closure costs related to this extension.

During the fourth quarter of 2013, in conjunction with the Ford commercial extension, Automodular also finalized an agreement on a one-year labour extension agreement for its Oakville-area workers with Unifor. The existing labour agreement was set to expire on June 30, 2014. The extension provided for certain signing bonuses and improvements in severance entitlements to the hourly workforce.

Following the expiry of the Company's extension agreement with Ford, Automodular ceased operations at its two remaining operating facilities in Oakville, Ontario. During the first quarter of 2015 both facilities were returned to the respective landlords. As of the date of this MD&A, Automodular no longer has active operations.

In conjunction with the closure of the operating facilities, all hourly employees and the majority of salaried employees have been severed and have left the Company. As of the date of this MD&A, fewer than fifteen salaried employees remain including the executive management team and certain corporate, human resources and financial personnel. By the end of March, we expect our staff complement to be reduced to fewer than ten people.

Automodular's current situation is the direct result of the changes in the automotive industry since the economic downturn in 2008. As demand for vehicles weakened in 2008, OEMs responded by shutting down their facilities. General Motors Company ("General Motors") and Chrysler LLC ("Chrysler") turned to both the American and Canadian governments looking for bailout money. Both General Motors and Chrysler went through Chapter 11 bankruptcy proceedings in the United States. In addition, General Motors, Chrysler and Ford all turned to North American organized labour and demanded significant concessions. As a result of all these items, North American OEMs were able to substantially reduce their cost structures, discard unprofitable brands and create additional capacity in their existing facilities. In particular, concessions by organized labour to allow for two tier wage agreements created the ability for those OEMs to hire new workers at compensation levels that were not dissimilar to what Automodular was paying its hourly workers. The Company recognized the situation and made efforts to reset its internal cost structure. Traditionally, labour costs make up the largest component of Automodular's costs. Unfortunately we were unsuccessful in obtaining concessions of any consequence from organized labour.

From 2010 onwards, Automodular received significantly fewer opportunities to quote on complex sub-assembly contracts as OEMs were re-examining their make versus buy decisions. OEMs were no longer looking to outsource the work that we had historically performed and upon contract expiration were seeking to bring outsourced work back into the final assembly plant. Automodular was successful in continuing its Ford contract largely due to the popularity of the vehicles. As long as the demand remained high and inventory levels were lower it was in Ford's best interest to avoid any significant production downtime. Automodular sub-assembled a significant portion of the vehicle, Ford would have had to endure production downtime and significant capital and launch expenditures to transition our work back in house mid-contract. Our contract expiration date, as extended to December 2014, lines up with the launch of the new models for the platforms that we worked on. This provided Ford with an opportunity to make the transition during a time when significant capital and launch expenditures would be required regardless. It also aligned a significant portion of the production downtime with Ford's normal holiday shutdown periods.

Automodular's Board of Directors, executive management team and senior management have spent substantial time over the last few years searching for and evaluating additional opportunities to leverage our core skills. We fulfilled a contract manufacturing agreement with Vestas Nacelles A/S ("Vestas"), a global wind OEM based in Denmark, to provide sub-assembly services for certain wind turbine components for the renewable energy industry in Ontario. The contract was successfully completed in 2012 and exceeded our operating and financial expectations. We continue to have discussions with Vestas and other wind OEMs for the provision of services in Ontario and other jurisdictions. Unfortunately, contracts within the renewable energy industry are prone to extremely long sales lead times and significant political risk. In addition, the removal of local content requirements in Ontario has dramatically reduced the opportunities for the Company in this space.

2014 OVERVIEW

Automodular's workforce faced momentous challenges in 2014. During the year, we were impacted by serious and prolonged production downtime at Ford's plant, high levels of staff turnover and the impending closure of our Oakville operations. Despite all of these obstacles, our workforce continued to produce high quality commodities safely and on time. Our workforce should be commended for their commitment to the Company and their ability to maintain their focus and continue to meet Ford's expectations in spite of Ford's decision.

Sales increased from $84.6 million to $85.8 million. Overall gross margin increased from $18.1 million to $24.2 million. Automodular reports net earnings for the current year of $14.8 million or $0.76 per share compared to $10.4 million or $0.52 per share in 2013. The closure of the Company's Oakville-area operations occurred at the end of the year; therefore throughout 2014 Automodular continued to benefit from both the continued demand for the vehicles serviced and the terms of the commercial extension that was signed with Ford in the fourth quarter of 2013.

Significant events during 2014 included the following:

- Automodular paid regular quarterly dividends of $0.06 per share on March 3rd, June 5th and September 4th.
- At the Annual and Special Meeting of Shareholders, held on May 8th, the shareholders approved the special resolution reducing the stated capital account maintained for the Company's common shares by the sum of $19.4 million.
- During the second quarter, Automodular provided written notice to its Oakville facility landlords that it was exercising the early termination options contained in the respective leases and intended to turn the facilities over to the respective landlords on February 28th, 2015.
- During the second and third quarters, the Company provided formal termination notice to all non-executive salaried employees.
- During the third quarter, the Board of Directors elected to allow the Company's normal course issuer bid ("NCIB") to expire. Due to ongoing diversification efforts, the Company has been precluded from utilizing the NCIB to repurchase shares for cancellation.
- During the fourth quarter, as required under the terms of the commercial extension with Ford, the Company received an advance payment from Ford with respect to the expected reimbursement of certain incremental exit costs. As a result of receiving this payment, at December 31, 2014, the Company has a liability to Ford of $1.9 million on its books. This liability has been included in provisions on the statement of financial position. This amount will be reduced as Automodular recognizes additional exit costs in 2015.
- In light of the ongoing diversification efforts, the Board of Directors elected not to declare a dividend in the fourth quarter of 2014.
- During the fourth quarter, the Company sold all of its remaining operating assets to a third party auction company. All remaining corporate assets have been fully depreciated as at December 31st.
- During the fourth quarter, the Company completed its wind down of the long-term incentive plan ("LTIP").
- The Company ceased regular operations in Oakville at the end of December.

RISK FACTORS

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

Lack of ongoing operations

Subsequent to Automodular's closure of its Oakville operations in December 2014, the Company has no ongoing operations. The Board of Directors and executive management team are focused on finding additional opportunities to leverage their core skills. There can be no assurance that Automodular will be successful in securing organic contracts or finalizing a transaction going forward.

Dependence upon key personnel

The success of the Company is dependent on the services of its executive management team which includes the Chief Executive Officer and the Vice-Presidents. 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 business prospects. The Company maintains key man life insurance on the current CEO and all of its Vice-Presidents in the amount of $2.0 million.

Product warranty, recall and liability risk

OEM 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 a manufacturer's warranty or are the subject of a recall by the 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 financial condition. Historically, Automodular has not been exposed to any significant costs in this regard.

Potential litigation

Although the Company is unaware of any material claims against it, there can be no assurances 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

Automodular's comparative consolidated operating results for the years ended December 31, 2014 and 2013 are as follows:

	2014		**2013**	
(thousands of Canadian dollars)	**$**	**% of sales**	**$**	**% of sales**
Sales	85,761	100.0	84,613	100.0
Cost of sales	58,055	67.7	62,282	73.6
Exit costs	3,504	4.0	4,272	5.1
Gross margin	24,202	28.3	18,059	21.3
General and administrative expense	5,435	6.4	4,775	5.6
Interest (income)	(506)	(0.6)	(219)	(0.3)
Other (income)	(452)	(0.5)	(150)	(0.1)
Earnings before income taxes:	19,725	23.0	13,653	16.1
Income taxes	4,962	5.8	3,290	3.9
Net earnings attributable to the shareholders	**14,763**	**17.2**	**10,363**	**12.2**

Sales
Automodular's sales increased slightly from $84.6 million in 2013 to $85.8 million in 2014. During 2014, Ford experienced a total of seven weeks of planned plant shutdown, significant unplanned downtime, and lower daily operating volumes compared to only one week of plant shutdown experienced during 2013. The negative impact on sales for these issues was mitigated by the recognition of certain amounts pursuant to the contract extension with Ford.

Cost of sales
Labour and related costs, transportation and facility-related costs and depreciation comprise the majority of these costs.

Cost of sales decreased to $58.1 million in 2014 from $62.3 million in 2013. The decrease was largely the result of cost savings associated with the plant shutdowns noted above, as well as reduced depreciation due to the Company's lower asset base.

Exit costs
During 2014, the Company recorded net exit costs of $3.5 million compared to net exit costs of $4.3 million recorded in 2013. Net exit costs recorded in 2014 predominately relate to additional severance costs for salaried employees and lease termination payments made to the Company's Oakville landlords. Non-executive salaried employees were provided with formal termination notification during the second and third quarters of 2014. In the second quarter of 2014, the Company also advised its Oakville-area landlords of its intention to exercise the early termination clause in each of the facility leases to align the lease termination dates with the Company's anticipated final occupancy date of each location. Also included in the costs recorded during 2014 were additional facility and other employee-related costs. Additional information on exit costs is contained in Note 9 of the Company's consolidated financial statements.

The majority of 2013 net exit costs were related to the Company's severance obligation to its hourly workforce as outlined in its collective agreement, as well as the Company's statutory severance obligation to its salaried workforce. Also included in this amount were smaller amounts for certain facility and other employee-related costs.

Gross margin
Gross margin increased from $18.1 million in 2013 to $24.2 million in 2014 for the reasons discussed above.

General and administrative expense
General and administrative expenses were $0.7 million higher in 2014 compared to 2013 predominately due to increased costs related to the GM litigation and expenditures relating to diversification initiatives.

Interest (income)
During 2014, the Company realized interest income of $0.5 million, compared to having earned $0.2 million of interest income during 2013. The Company generated additional interest income on higher cash balances held and further diversified its cash management portfolio in an effort to secure increased yields.

Other (income)
The income earned during 2014 predominately related to a realized gain on the disposal of the Company's plant and equipment on the closure of the Oakville operations. The 2013 income related to a realized gain on the disposal of the Company's remaining investments.

Earnings before income taxes

Earnings before income taxes of $19.7 million for 2014 were higher than the $13.7 million earned in 2013 for the reasons discussed above.

HISTORICAL QUARTERLY DATA - ROLLING EIGHT QUARTERS

(thousands of Canadian dollars except per share amounts)

	2014				2013			
	Q1 $	Q2 $	Q3 $	Q4 $	Q1 $	Q2 $	Q3 $	Q4 $
Sales	19,549	18,772	21,294	26,146	21,808	21,939	20,213	20,653
Net earnings	3,160	1,571	3,726	6,306	3,637	774	2,469	3,483
Per share (basic)	0.16	0.09	0.19	0.32	0.18	0.04	0.12	0.18
Per share (diluted)	0.16	0.09	0.19	0.32	0.18	0.04	0.12	0.18

In the automotive 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 throughout and the third quarter generally has a two-week closure for summer shutdown) in the latter half of the year. However, our results over the last couple of years have not necessarily reflected this trend as a result of increased vehicle demand and resultant higher volumes. The results in the second quarter of 2013 and the last three quarters of 2014 were also significantly impacted by the recognition of exit costs related to Ford's announcement to Automodular of its decision to insource the work performed by Automodular, at the end of 2014. The 2014 results, particularly those in the first and second quarters, were also negatively impacted by the combination of production downtime and lower daily volumes as previously noted. Q4 2014 benefitted from higher production volumes year over year and improved efficiencies obtained through the Ford contract wind down.

FOURTH QUARTER

	2014		2013	
(thousands of Canadian dollars)	$	% of sales	$	% of sales
Sales	26,146	100.0	20,653	100.0
Cost of sales	16,002	61.2	14,827	71.8
Exit costs	1,086	4.2	272	1.3
Gross margin	9,058	34.6	5,554	26.9
General and administrative expense	1,448	5.5	1,368	6.6
Interest (income)	(221)	(0.8)	(72)	(0.3)
Other (income)	(466)	(1.8)	(12)	(0.1)
Earnings before income taxes:	8,297	31.7	4,270	20.7
Income taxes	1,991	7.6	787	3.8
Net earnings attributable to the shareholders	**6,306**	**24.1**	**3,483**	**16.9**

Sales of $26.1 million in the fourth quarter of 2014 were higher than the $20.7 million generated in the fourth quarter of 2013 predominately due to increased production volumes from weekend overtime shifts and the recognition of certain amounts pursuant to the contract extension with Ford.

The gross margin percentage is higher in the fourth quarter of 2014 due to decreased depreciation expense, the realization of certain cost savings as a result of the closure of the Oakville-area operations and changes to sales as discussed above.

Interest income was higher during the fourth quarter in the current year due to interest being earned on higher levels of cash balances. Other income for the current quarter includes a gain on the sale of our Oakville assets. There were no similar gains in the fourth quarter of 2013.

Fourth quarter earnings before income taxes of $8.3 million are higher than the $4.3 million earned in 2013 predominately due to increased production volumes, the recognition of certain amounts pursuant to the contract extension with Ford and operating efficiencies realized during the closure of the Oakville operations.

Net earnings for the fourth quarter of 2014 were $6.3 million compared to $3.5 million in the same quarter of 2013 for the reasons noted above.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Operating activities

(thousands of Canadian dollars)	**2014** **$**	**2013** **$**
Operating Activities		
Net earnings	14,763	10,363
Income taxes (paid)	(2,080)	(7,028)
Pension contribution	(53)	(54)
Provisions	(6,163)	(457)
Items not involving current cash flows	8,663	13,604
Non-cash working capital	6,008	2,771
Net cash provided by operating activities	**21,138**	**19,199**

Net cash provided by operating activities has increased predominately due to the increase in net earnings and by lower income tax payments made during the year. This was partially offset by increased provision payments made during the year.

Investing activities

(thousands of Canadian dollars)	**2014** **$**	**2013** **$**
Investing Activities		
Proceeds on disposal (purchase) of plant and equipment, net	395	(479)
Proceeds on disposal of investments	-	169
Interest received on cash and cash equivalents	506	229
Net cash provided (used) by investing activities	**901**	**(81)**

Net proceeds on disposal of plant and equipment (proceeds on dispositions less purchases) changed by $0.9 million as the Company sold its manufacturing assets in December 2014. Interest received is up significantly year over year due to higher cash balances available for investment.

Automodular sold its remaining investment portfolio in 2013.

Financing activities

(thousands of Canadian dollars)	**2014** **$**	**2013** **$**
Financing Activities		
Repurchase of shares under normal course issuer bid	-	(1,506)
Dividends paid	(3,488)	(6,712)
Interest paid	-	(10)
Net cash used in financing activities	**(3,488)**	**(8,228)**

Automodular repurchased and cancelled 833,945 shares under the normal course issuer bid during 2013. No shares were repurchased in 2014 under the normal course issuer bid.

Automodular paid total dividends of $0.18 per share during the current year. In 2013, dividends of $0.34 per share were paid.

FINANCING RESOURCES

Automodular's cash and cash equivalents on hand at year-end totaled $54.5 million compared to $35.9 million at the end of 2013. Automodular has a strong statement of financial position and expects that its cash on hand is sufficient to fund the needs of the Company during the 2015 fiscal year while, at the same time, providing flexibility to fund potential diversification initiatives.

DERIVATIVE FINANCIAL INSTRUMENTS

Automodular does not have any derivative financial instruments outstanding. The Company does not enter into foreign exchange contracts for speculative purposes.

CONTRACTUAL OBLIGATIONS DUE BY YEAR AND OFF BALANCE SHEET FINANCING

Substantially all of the operating lease commitments relate to facility rentals. The Company's obligations total $0.4 million, all of which are due in 2015.

The Company's defined benefit pension plan (the "Plan") for a former Chief Executive Officer is described in the notes to the consolidated financial statements. The Plan currently shows a net accrued benefit obligation on the balance sheet of $0.1 million. However, the actuarial valuation of the Plan, completed on January 1, 2013, showed a deficit of $0.5 million. This deficit is being funded over a period of 10 years. The difference between the amount recognized on the consolidated financial statements and the amount in the actuarial report relates to the use of differing assumptions as required under IFRS.

SHAREHOLDERS' EQUITY

Shareholders' equity increased from $43.2 million at December 31, 2013 to $54.3 million at December 31, 2014. This increase is primarily a result of strong operating results offset by the payment of dividends.

OUTSTANDING SHARE DATA

(thousands of Canadian dollars except share amounts)

	December 31, 2014		December 31, 2013	
	Outstanding	Amount	Outstanding	Amount
	#	$	#	$
Common shares	19,378,904	22,969	19,378,904	42,348

The 2013 figure above represent the gross shares outstanding inclusive of the one treasury share which was held in the long-term incentive plan. This plan was wound down during the year.

During the second quarter of 2014, the shareholders approved the special resolution reducing the stated capital account maintained for the Company's common shares by the sum of $19.4 million.

From December 31, 2014 to the date of this filing there has been no change in the number of shares issued and outstanding.

GM LITIGATION UPDATE

As previously disclosed, Automodular has commenced a claim in the Ontario Superior Court of Justice (the "Claim") against General Motors Company and General Motors of Canada Ltd. (collectively, "GM"), and Inteva Products, LLC and Inteva Products Canada ULC (collectively, "Inteva"). The Claim relates to a contract (the "Contract") between GM and Automodular for the sequencing and sub-assembly of components and modules for the Chevrolet Camaro. By letter dated April 13, 2010, GM terminated the Contract effective September 20, 2010. GM then entered into a contract with Inteva for the same work that Automodular was performing under the Contract. Automodular alleges that GM's termination of the Contract was wrongful and in breach of the Contract. Automodular is claiming $20.0 million against GM for breach of contract and against Inteva for inducing breach of contract. Automodular is also seeking punitive damages in the amount of $5.0 million.

The statement of Claim was issued on May 13, 2011 and served upon GM and Inteva. The defendants subsequently delivered statements of defence contesting the Claim. The parties have exchanged documentary productions and have conducted initial oral examinations for discovery. Automodular has provided responses to undertakings given during its examination for discovery by the defendants and is awaiting responses to undertakings and further documentary productions from the defendants. Appearances before the court occurred in December 2014 and January 2015 to deal with issues arising from Automodular's examinations for discovery of the defendants. As a result of those appearances, additional information will be exchanged between the parties. The current schedule agreed to by the parties calls for the discovery process to be completed, expert reports to be exchanged, a mandatory mediation to be scheduled and the matter to be set down for trial by October 31, 2015 at which point the court will schedule a trial date. There can be no assurance that the claim will be successful or that Automodular will recover any amounts from GM or Inteva.

US SHAREHOLDER INFORMATION UPDATE

Based on results of its analysis, Automodular has concluded, for the year ending December 31, 2014, that it meets the definition of a Passive Foreign Investment Corporation ("PFIC") as defined in the Internal Revenue Code. The U.S. tax laws regarding PFICs are extremely complex and shareholders are advised to consult their own tax advisors concerning the overall tax consequences of their respective investment in, and ownership of shares of Automodular under United States federal, state, local and foreign law. It is Automodular's intention to prepare and make available to U.S. shareholders a PFIC Annual Information Statement in order to allow U.S.

shareholders to make certain tax elections. We expect that the information will be available on or about March 31, 2015 and that the information will be filed on SEDAR and posted on our website at www.automodular.com.

2014 RECAP AND OUTLOOK

The forward-looking statements below are not historical facts but reflect the Company's current expectations regarding future results or events and are based on information currently available to management. Certain material factors and assumptions were applied in providing these forward-looking statements. 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.

Our key operational goal for 2014 was to ensure that the running of our operations and our interactions with our customer were "business as usual". The incentive, retention and severance programs we put in place ensured that all employees were treated fairly and encouraged focus on continuing to provide our customer with a defect-free module - on time, every time. Our entire workforce did an outstanding job and should be commended for their focus on health and safety, quality and productivity metrics. As a result of their excellent efforts, Automodular generated net earnings of $14.8 million or $0.76 per share in 2014. These are exceptional results under very difficult circumstances. In conjunction with the insourcing of our business by Ford, Automodular has reduced its salaried staff complement. On January 1, 2015 we had approximately 30 people employed, with the majority focused on the transition of our two Oakville facilities back to the respective landlords at the end of February. This was completed as planned. As of the date of this MD&A, Automodular has fewer than 15 salaried employees and by the end of March we expect the staff complement to be reduced to fewer than 10 people.

Automodular's first quarter 2015 results will include some operating costs relating to the Oakville business and corporate costs. We currently expect to report a loss after tax of approximately $1.7 million for the first quarter of 2015. This estimate includes Oakville closeout related costs, corporate costs and the payment of severance for two members of the executive management team. As a reminder, severance costs for the executive management team and corporate wind down costs were not part of the $8.3 estimated exit costs relating to the Oakville operations. The $8.3 million figure related solely to the closure of Automodular's Oakville operations.

Automodular expects that its annualized cash expenditures from the second quarter onwards will be approximately $2.5 million after tax. If the Company elects to cease its search for opportunities and enter into a wind down mode, the Company will still need to maintain resources to deal with the GM litigation. In those circumstances, we expect that annualized cash expenditures would drop by approximately 50%. Amounts will fluctuate depending on the status of the GM litigation. If the litigation goes to trial, costs will increase.

Following the closure of Automodular's Oakville operations, the Company's efforts continue on the diversification front. Both the executive management team and the Board of Directors are actively engaged in finding ways to leverage our expertise to enhance shareholder value. We continue to work with a Canadian-based investment banker to assist us in uncovering and evaluating opportunities. Our focus is on those opportunities in which we can utilize our complex manufacturing and program management expertise. We have examined many different opportunities to date and continue to be focused on finding the right opportunity at a fair price. There can be no assurance that any transaction will be consummated. If we are not successful in securing new business in a timely fashion, we will consider all options available to us including potentially winding down the Company. Automodular will communicate with its stakeholders when it has something material to share.

In light of ongoing diversification efforts, the Board of Directors has elected not to declare a dividend in the first quarter of 2015. The Company will revisit its dividend policy in conjunction with its go forward plans on a quarterly basis and will update its shareholders accordingly.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Our significant account policies are more fully described in Note 1 "*Summary of Business, Basis of Presentation and Significant Accounting Policies*" to our consolidated financial statements for the year ended December 31, 2014.

The application of the Company's accounting policies requires management to use estimates and judgments that can have a significant effect on the results of operations and the carrying values of assets and liabilities recognized and disclosures made in the consolidated financial statements. Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates and judgments are made; and
- different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

Management's best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately.

The following are the estimates and judgments applied by management that most significantly affect the Company's consolidated financial statements.

Depreciation of plant and equipment and impairment of long-lived assets

Due to the significance of plant and equipment depreciation on Automodular's consolidated statements of operations, the Company considers the depreciation policy relating to plant and equipment to be a *"critical accounting estimate"*. Automodular considers the expected life of the assets, expected residual value, and contract length when setting the depreciation rates of its assets. Judgment is involved when establishing these estimates and if circumstances impacting these assumptions and estimates change, there may be a material impact on the consolidated financial statements. Depreciation recorded in the year ended December 31, 2014 with respect to plant and equipment was $4.5 million (2013 - $6.4 million). See Note 6 of our consolidated financial statements for additional information.

Management assesses long-lived assets for impairment 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.

Deferred income tax assets and liabilities

Deferred 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 probable that a deferred tax asset will be realized, the deferred tax asset will be de-recognized. The Company considers the amount to recognize and de-recognition to be 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 deferred 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 law, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.

The net deferred income tax balance on the consolidate statements of financial position is an asset of $0.7 million. See Note 13 of our consolidated financial statements for additional information.

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. Provisions have been recorded in conjunction with the expiry or termination of production contracts and include estimates primarily related to employee and facility-related costs.

Employee related amounts include severance, benefits and other employee costs related to hourly and salaried employees. Hourly employee amounts were computed based on the terms of the collective bargaining agreement. Estimates for salaried employees were calculated based on the contractual obligations with employees as communicated in their formal notification. Changes to the estimated obligation could be material to the consolidated financial statements.

Facility costs projections are based on the terms of the relevant lease agreements.

Within the consolidated statements of operations, exit costs are shown net of expected reimbursements from Ford for certain incremental closure costs. These reimbursements have been calculated based on the specific terms of the commercial extension agreement with Ford.

As actual costs may vary from these estimates, they are reviewed on a quarterly basis and changes recognized through net earnings as required. See Note 9 of our consolidated financial statements for additional information.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified to its President and Chief Executive Officer ("CEO"), its Vice President, Finance and Chief Financial Officer ("CFO") and its Audit Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by management, under the supervision of, and with the participation of the Company's CEO and CFO, to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with GAAP.

The Company will file certifications, signed by the Company's CEO and CFO, with the Canadian Securities Administrators ("CSA") upon filing of the Company's Annual Information Form. In those filings, the Company's CEO and CFO will certify, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the Company's disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting. The Company's CEO and CFO also certify the appropriateness of the financial disclosures in the Company's interim filings with securities regulators. In those interim filings, the Company's CEO and CFO also certify the design of the Company's disclosure controls and procedures and the design of internal controls over financial reporting.

The Company's Audit Committee reviewed this MD&A and the audited consolidated financial statements, and the Company's Board of Directors approved these documents prior to their release.

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES

Management, under the supervision of and with the participation of the Company's CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined under National Instrument 52-109) and concluded, as at December 31, 2014, that such disclosure controls and procedures were effective.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management, under the supervision of and with the participation of the Company's CEO and CFO, evaluated the effectiveness of the Company's internal controls over financial reporting (as defined under National Instrument 52-109). In making this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commissions ("COSO") in Internal Control - Integrated Framework (2013). Based on that evaluation, management and the CEO and CFO have concluded that, as at December 31, 2014, the Company's internal controls over financial reporting were effective.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes to the Company's internal controls over financial reporting during the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

FORWARD-LOOKING STATEMENTS

This MD&A contains statements which, to the extent that they are not recitations of historical fact, may constitute "forward-looking statements" within the meaning of applicable securities legislation. Forward-looking statements may include, but are not limited to, financial and other projections, as well as statements regarding our future plans, objectives or performance, anticipated business development, anticipated industry developments, our views on the long-term outlook of the automotive or renewable energy industry, our views on the future of outsourcing versus insourcing, or our underlying assumptions. Words such as "*may*", "*would*", "*could*", "*will*", "*likely*", "*estimate*", "*anticipate*", "*believe*", "*expect*", "*intend*" or other similar expressions are intended to identify forward-looking statements. Such forward-looking statements, or forward-looking information, reflect management's beliefs, estimates and opinions regarding Automodular's future growth, results of operations, performance and business prospects and opportunities and are not guarantees of future results.

Specific forward-looking information in this document includes:

- by the end of March we expect our staff complement to be reduced to fewer than ten people;
- our liability with Ford will be reduced as Automodular recognizes additional exit costs in 2015;

- Automodular expects that its cash on hand is sufficient to fund the needs of the Company during the 2015 fiscal year while, at the same time, providing flexibility to fund potential diversification initiatives;
- with respect to the GM litigation, the discovery process will be completed, expert reports will be exchanged, the mandatory mediation will be scheduled and the matter will be set down for trial by October 31, 2015, at which point the court will schedule a trial date;
- Automodular expects to report a loss after tax loss of approximately $1.7 million for the first quarter of 2015;
- Automodular expects that its annualized cash expenditures from the second quarter of 2015 onwards will be approximately $2.5 million after tax;
- if the Company enters into a wind down mode, the Company will still need to maintain resources to deal with the GM litigation and expects that annualized cash expenditures would drop by approximately 50%. If the litigation goes to trial, costs will increase;
- Automodular's efforts continue on the diversification front;
- if we are not successful in securing new business in a timely fashion, we will consider all options available to us including potentially winding down the Company; and
- the Company will revisit its dividend policy in conjunction with its go forward plans on a quarterly basis and will update its shareholders accordingly.

By its nature, forward-looking information involves certain risks, 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 following:

- our ability to secure ongoing operations through diversification, either organically or through acquisition;
- our ability to identify, close and integrate acquisitions;
- our ability to finance new business requirements; and
- our dependence on key personnel.

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 for the year ended December 31, 2014, can be found on the SEDAR website at www.sedar.com.

March 5, 2015