

Automodular Corporation

Interim Consolidated Financial Statements For the six months ended June 30, 2017 and 2016

Unaudited

All numbers in thousands, except share and per share data

* Notice of Disclosure of Non-Auditor Review of Interim Financial Statements

Pursuant to Ontario Securities Act National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Automodular Corporation ('the Company') for the interim periods ended June 30, 2017 and 2016 have been prepared in accordance with IAS 34, Interim Financial Reporting and are the responsibility of the Company's management.

The Company's independent auditors, PricewaterhouseCoopers, LLP, have not performed a review of these interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

August 16, 2017

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	June 30, 2017	December 31, 2016
ASSETS			
Cash and cash equivalents	4	\$ 32,482	\$ 33,799
Other receivables	4	203	30
Income taxes recoverable	6	555	295
Prepaid expenses		345	152
Current assets		33,585	34,276
Deferred income taxes	6	23	31
Total assets		\$ 33,608	\$ 34,307
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Payables and accrued liabilities	4	\$ 549	\$ 592
Provisions		12	16
Current liabilities		561	608
Other liabilities	3	162	134
Total liabilities		\$ 723	\$ 742
Total shareholders' equity		\$ 32,885	\$ 33,565
Total liabilities and shareholders' equity		\$ 33,608	\$ 34,307

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total
Balance, December 31, 2016	5	\$ 28,365	\$ 705	\$ 11	\$ 4,484	\$ 33,565
Net earnings (loss) and comprehensive earnings (loss)		-	-	-	(680)	(680)
Balance, June 30, 2017		\$ 28,365	\$ 705	\$ 11	\$ 3,804	\$ 32,885

<i>(thousands of Canadian dollars)</i>	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance, December 31, 2015		\$ 29,563	\$ 705	\$ 11	\$ 5,838	\$ 36,117
Net earnings (loss) and comprehensive earnings (loss)		-	-	-	(635)	(635)
Shares repurchased under normal course issuer bid	5	(984)	-	-	(172)	(1,156)
Balance, June 30, 2016		\$ 28,579	\$ 705	\$ 11	\$ 5,031	\$ 34,326

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

<i>(thousands of Canadian dollars, except share and per share amounts)</i>	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2017	2016	2017	2016
General and administrative expense	7 and 8	509	465	\$ 1,059	\$ 996
Interest (income)		(71)	(72)	(140)	(144)
Other (income)		-	-	-	(4)
Earnings (loss) before income taxes:		(438)	(393)	(919)	(848)
Current income taxes	6	(118)	(107)	(247)	(227)
Deferred income taxes	6	4	14	8	14
Net earnings (loss) and comprehensive earnings (loss) attributable to the shareholders		\$ (324)	\$ (300)	\$ (680)	\$ (635)
Net earnings (loss) per share:					
Basic and diluted	5	\$ (0.02)	\$ (0.02)	\$ (0.05)	\$ (0.05)
Basic and diluted	5	12,980,027	13,139,328	12,980,027	13,241,145

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	For the six months ended June 30,	
		2017	2016
CASH PROVIDED BY (USED IN)			
OPERATING ACTIVITIES			
Net earnings (loss) for the period	\$	(680)	\$ (635)
Income taxes received (paid)	6	(13)	-
Pension contribution	3	-	(53)
Provisions paid		(4)	(7)
Items not involving current cash flows:			
Deferred income taxes	6	8	14
Interest (income)		(140)	(144)
(Gain) on disposal of plant and equipment		-	(4)
Pension expense	3	28	28
		(801)	(801)
Net change in non-cash working capital:			
Other receivables	4	(173)	175
Income taxes	6	(247)	(227)
Prepaid expenses		(193)	(170)
Payables and accrued liabilities	4	(43)	(155)
Net cash used by operating activities		(1,457)	(1,178)
INVESTING ACTIVITIES			
Interest received on cash and cash equivalents		140	144
Proceeds on disposal of plant and equipment		-	4
Net cash provided by investing activities		140	148
FINANCING ACTIVITIES			
Repurchase of shares under normal course issuer bid	5	-	(1,156)
Net cash used by financing activities		-	(1,156)
Effect of exchange rate changes on cash		-	-
CHANGE IN CASH AND CASH EQUIVALENTS	\$	(1,317)	\$ (2,186)
Cash and cash equivalents, beginning of period	\$	33,799	\$ 35,058
Cash and cash equivalents, end of period	\$	32,482	\$ 32,872

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT JUNE 30, 2017 and 2016
(unaudited)**

(All numbers in thousands of Canadian dollars, except share and per share amounts)

1. SUMMARY OF BUSINESS AND BASIS OF PREPARATION

General business description and current operations

Automodular Corporation is a Canadian company which is listed on the NEX Board of the TSX Venture Exchange (the "TSXV") under the symbol "AM.H".

References to "Automodular" or "the Company" refer to Automodular Corporation and its direct and indirect subsidiaries unless the content indicates otherwise. Automodular was incorporated under the laws of the Province of Ontario and its registered address is 1099 Kingston Road, Suite 214, Pickering, Ontario. Automodular is domiciled in Canada.

Automodular was a sequencer and sub-assembler of modules that were installed in equipment assembled by North American Original Equipment Manufacturers ("OEMs") at plants in Canada. Automodular provided these services to the Ford Motor Company ("Ford") until the completion of the multi-year agreement and its related amendments on December 23, 2014.

Following the expiry of the Company's commercial agreement with Ford on December 23, 2014, 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 these financial statements, Automodular has no active operations.

In conjunction with the closure of the operating facilities, all hourly employees and all but two salaried employees left the Company. As of the date of these financial statements, Automodular retains those two salaried employees as well as one consultant.

The Company's efforts continue on the diversification front. Both the Board of Directors and the remaining members of the executive management team are actively engaged in finding ways to leverage our cash balance and public company listing.

Basis of preparation

The accounting policies followed in these interim consolidated financial statements are consistent with those of the previous financial year and are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), has been omitted or condensed.

These interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2016, which are included in the Company's 2016 annual report.

The interim consolidated financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company's results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT JUNE 30, 2017 and 2016
(unaudited)

(All numbers in thousands of Canadian dollars, except share and per share amounts)

These interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. References to "\$" are to Canadian dollars.

2. RECENT ACCOUNTING PRONOUNCEMENTS

The accounting policies followed in these interim consolidated financial statements are consistent with those of the previous financial year.

New standards and interpretations not yet adopted

New standards and amendments to standards and interpretations that are effective for annual periods beginning after January 1, 2018 have not been applied in preparing these consolidated financial statements. Not all new standards are applicable to the Company. The anticipated impact of the new and amended standards which are applicable to the Company is discussed below:

International Financial Reporting Standard 9, *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is evaluating the standard and has not yet determined the impact on the Company's consolidated financial statements.

International Financial Reporting Standard 15, *Revenue from Contracts with Customers*

IFRS 15, *Revenue from Contracts with Customers*, specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with some informative, relevant disclosures. This standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018 and early adoption is permitted. Management does not expect the standard to have any impact on the Company's consolidated financial statements.

International Financial Reporting Standard 16, *Leases*

On January 13, 2016, the IASB issued IFRS 16, *Leases*, which replaces the current guidance in IAS 17, *Leases*. IFRS 16 required lessees to recognize a lease liability reflecting future lease payments and a right of use asset for virtually all lease contracts. IFRS 16 must be applied to an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2019, with early adoption permitted. Management is evaluating the standard and has not yet determined the impact on the Company's consolidated financial statements.

3. OTHER LIABILITIES

The Company has a defined benefit pension plan for a former Chief Executive Officer. The expense for the three and six-month periods ended June 30, 2017 was \$14 and \$28, respectively (2016: \$14 and \$28, respectively).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT JUNE 30, 2017 and 2016
(unaudited)

(All numbers in thousands of Canadian dollars, except share and per share amounts)

4. FINANCIAL INSTRUMENTS BY CATEGORY

The following table summarizes the Company's recurring measurement for financial instruments by category:

	June 30, 2017	December 31, 2016
	\$	\$
Loans and receivables		
Cash and cash equivalents	32,482	33,799
Other receivables	203	30
Total	32,685	33,829
Financial liabilities at amortized cost		
Payables and accrued liabilities	549	592
Total	549	592

The carrying value of cash and cash equivalents, trade and other receivables and trade payables and accrued liabilities approximates their fair values due to the short-term nature of their maturities.

5. CAPITAL STOCK

	Number of shares	Amount
	#	\$
Issued and outstanding common shares - December 31, 2016 and June 30, 2017	12,980,027	28,365

There were no new common shares issued in the three and six-month periods ended June 30, 2017 and 2016.

Normal course issuer bid ("NCIB")

On April 13, 2016, following the expiry of the Company's previous NCIB, Automodular announced its intention to undertake a new normal course issuer bid. Under the terms of this normal course issuer bid, the Company could acquire up to 821,491 of its common shares, representing 10% of the 8,214,913 common shares comprising Automodular's public float of common shares issued and outstanding as of April 4, 2016, as defined by the policies of the TSX Venture Exchange. The normal course issuer bid commenced on April 13, 2016 and terminated on April 12, 2017.

During the first quarter of 2016, the Company repurchased for cancellation 377,400 shares, with a carrying value of \$825, for a total cost of \$972. The difference of \$147 had been allocated to retained earnings. During the second quarter of 2016, under the new normal course issuer bid, the Company repurchased for cancellation 72,900 shares, with a carrying value of \$159, for a total cost of \$184. The difference of \$25 had been allocated to retained earnings.

On April 7, 2017, following the expiry of the NCIB noted above, Automodular announced its intention to undertake a new normal course issuer bid. Under the terms of the new NCIB, the Company may acquire up to 808,905 of its common shares, representing 10% of the 8,089,049 common shares comprising Automodular's public float of common shares issued and outstanding as of April 4, 2017, as defined by the policies of the TSXV. The new normal course issuer bid commenced on April 13, 2017 and will terminate on April 12, 2018. The Company entered into the

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT JUNE 30, 2017 and 2016
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new normal course issuer bid as it believes that repurchasing its outstanding common shares may be a desirable use of a portion of its corporate funds.

Weighted average common shares outstanding

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	#	#	#	#
Common shares outstanding – basic and fully diluted				
outstanding at the beginning of the period	12,980,027	13,150,927	12,980,027	13,528,327
Less: weighted average shares cancelled under NCIB	-	(11,599)	-	(287,182)
Weighted average common shares outstanding – basic and fully diluted at the end of the period	12,980,027	13,139,328	12,980,027	13,241,145

6. TAXATION

The consolidated effective tax rate in respect of the operations for the three and six-month periods ended June 30, 2017 was 26% (2016: 26%) and is based on management's best estimate of the annual effective income tax rate expected for the full financial year.

7. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel compensation, benefits and severance, including the Company's directors and members of its executive management team, is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Salaries, fees and short-term employee benefits	301	297	585	603

The amounts above have been included in general and administrative expense on the interim consolidated statement of operations.

During the current quarter, the Company provided its CEO a non-interest bearing loan of \$150. The amount is repayable upon termination of employment of the CEO. The amount is included in other receivables on the interim consolidated statements of financial position.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**AS AT JUNE 30, 2017 and 2016***(unaudited)**(All numbers in thousands of Canadian dollars, except share and per share amounts)***8. EXPENSES BY NATURE**

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Wages, fees and benefits	317	297	616	603
Transportation and facility-related costs	24	26	50	49
Other	168	142	393	344
Total cost of sales, exit costs and general and administrative expenses	509	465	1059	996