

**MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL POSITION**  
**For the Three-Month Periods Ended March 31, 2015 and 2014**

This Management Discussion and Analysis (“MD&A”) is for the three-month periods ended March 31, 2015 and 2014 and should be read in conjunction with Automodular Corporation’s 2014 annual report and audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards (“IFRS”). All dollar amounts in the consolidated financial statements and MD&A are shown in Canadian dollars unless otherwise indicated. References to “Automodular” or to “the Company” refer to Automodular Corporation and its direct and indirect subsidiaries unless the content indicates otherwise.

Following the expiry of the Company’s extension agreement with Ford, effective December 23, 2014, Automodular ceased operations at its two 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.

**FIRST QUARTER OVERVIEW**

Automodular reports a net loss of \$(1.6) million or \$(0.08) per share in the first quarter of 2015 compared to net earnings of \$3.2 million or \$0.16 per share in the same quarter of 2014. As noted above, Automodular’s operations ceased production in December 2014. Accordingly, any comparisons of results between the current quarter and the first quarter of 2014 will not be meaningful. The consolidated statement of operations for the first quarter of 2015 includes exit costs, relating to the closure of the Company’s Oakville facilities, and ongoing administrative costs.

On March 16, 2015, Automodular was advised that the Toronto Stock Exchange (the “TSX”) had commenced a review of the Company’s eligibility for continued listing pursuant to Part VII of The Toronto Stock Exchange Company Manual. Specifically, the TSX is reviewing the Company with respect to the listing requirement that it must be actively engaged in ongoing business. If the Company cannot demonstrate that it meets all TSX requirements set out in Part VII on or before July 16, 2015, the Company’s securities will be delisted 30 days from such date. Automodular will consider options for another listing for the Company’s shares in the event that the TSX proceeds with the de-listing.

**RESULTS OF OPERATIONS**

Automodular’s comparative interim consolidated results for the three-month periods ended March 31, 2015 and 2014 are as follows:

<i>(thousands of Canadian dollars)</i>	<b>For the three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Sales	-	19,549
Cost of sales	-	13,714
Exit costs	809	147
<b>Gross margin</b>	<b>(809)</b>	<b>5,688</b>
General and administrative expense	1,546	1,494
Interest (income)	(108)	(84)
Other expense (income)	(26)	11
<b>Earnings (loss) before income taxes:</b>	<b>(2,221)</b>	<b>4,267</b>
Current income taxes	(622)	1,107
Deferred income taxes	44	-
<b>Net earnings (loss) attributable to the shareholders</b>	<b>(1,643)</b>	<b>3,160</b>
<b>Sales and cost of sales</b>		

As previously noted, there were no sales or cost of sales in the current year because Automodular's operations ceased production in December of 2014.

#### Exit costs

During the first quarter of 2015, net exit costs of \$0.8 million (2014: \$0.1 million) were recognized. These costs related to severance for three members of the executive management team and facility-related amounts including rent and occupancy expenses and costs incurred to restore the facilities as required in the respective leases.

#### General and administrative expense

Quarterly general and administrative expense was nominally higher than in the same period in 2014.

#### Interest (income)

Interest (income) was slightly higher than the same period in 2014 due to increased interest income generated on higher cash balances and diversification of the cash management portfolio to secure increased yields.

#### Other expense (income)

Amounts were nominal in both reporting periods.

#### Earnings (loss) before income taxes

Automodular generated a loss in the first quarter of 2015 as a result of the closure of its Oakville operations.

#### HISTORICAL QUARTERLY DATA - ROLLING EIGHT QUARTERS

(thousands of Canadian dollars except per share amounts)

	2015	2014				2013		
	Q1	Q1	Q2	Q3	Q4	Q2	Q3	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	-	19,549	18,772	21,294	26,146	21,939	20,213	20,653
Net earnings (loss)	(1,643)	3,160	1,571	3,726	6,306	774	2,469	3,483
Per share basic	(0.08)	0.16	0.09	0.19	0.32	0.04	0.12	0.18
Per share diluted	(0.08)	0.16	0.09	0.19	0.32	0.04	0.12	0.18

A comparison of the current quarter's results with previous quarters is not meaningful as Automodular no longer has active operations. The following discussion is provided to give context to previous quarters' results. 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. The results in the second quarter of 2013 and the last three quarters of 2014 were 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.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

### Operating activities

Net cash of \$1.0 million provided by operating activities year-to-date is lower than the \$4.9 million generated in the same period in 2014. As previously noted, Automodular's operations ceased at the end of December 2014. The current period amounts reflect the closure of the Company's Oakville operations and the realization of working capital amounts in the course of winding down our operations.

### Investing activities

Investing activities were nominal in the three-month periods ended March 31, 2015 and 2014.

### Financing activities

During the first quarter of 2014, Automodular paid a dividend of \$0.06 per common share. Automodular elected not to pay a dividend in the first quarter of 2015 in order to preserve capital and provide enhanced flexibility with respect to the Company's ongoing diversification review.

### Financing resources

Automodular's cash on hand at quarter-end totaled \$55.6 million compared to \$54.5 million at the end of 2014. Automodular's cash on hand will allow it to address its ongoing needs while, at the same time, providing flexibility to fund potential new diversification initiatives.

### Shareholders' equity

Shareholders' equity decreased from \$54.3 million at December 31, 2014 to \$52.6 million at March 31, 2015 due to the loss generated in the current quarter.

## OUTSTANDING SHARE DATA

*(thousands of Canadian dollars except share amounts)*

	Outstanding #	Amount \$
Common shares as at December 31, 2014 and March 31, 2015	19,378,904	22,969

From March 31, 2015 to the date of this filing there has been no change in the number of shares issued and outstanding.

## FIRST QUARTER 2015 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.

Areas of focus in the first quarter of this year were the following:

- the return of our Oakville facilities back to the respective landlords;
- the ongoing rationalization of our cost structure;
- ongoing review of diversification initiatives; and
- moving the GM litigation forward.

We returned the Oakville facilities back to the landlords as planned at the end of February. Our staff rolled up their sleeves and should be commended for their efforts in meeting this timeline.

We have rationalized our cost structure substantially since the cessation of production in December 2014. At the date of this report we have 4 full time employees and 4 consultants on hand. By the end of the second quarter we expect that our staffing complement will be down to 2 full time employees and 2 part time consultants. In addition, we have moved to a smaller corporate office and proposed a reduction of our Board size from 7 to 5 directors. Our goal is to run the operation in as lean a fashion as possible while still having sufficient resources on hand to properly address the outstanding GM litigation and fulfill all public company reporting obligations.

In its March 5, 2015 press release, Automodular indicated that it was undertaking an in-depth review of an Ontario-based private manufacturing company. In the interim, following consultation with certain stakeholders, the Company concluded that the opportunity was not an appropriate fit. While our focus has been on trying to leverage our core manufacturing and project management skills, many of our personnel resources have now left Automodular and secured alternate roles. Automodular believes that its cash balance and public company listing have value and our goal is to unlock that value to enhance shareholder wealth. Accordingly, we will no longer narrow our focus to opportunities that leverage our core skills but rather will consider all available opportunities. In the interim, the Company will not be providing a timeline or fixed end date for this process. We will leverage the resources on hand to deal with the GM litigation.

With respect to the GM litigation, Automodular is awaiting responses to undertakings and further documentation from GM. We continue to work to move the litigation forward in accordance with the timelines disclosed in Automodular's 2014 annual report.

During the first quarter of 2015, Automodular initiated a normal course issuer bid ("NCIB") as the Company believes that its shares have been trading in a price range that does not reflect the underlying value of the Company. The Company may repurchase shares following the release of its Q1 2015 financial results.

Automodular's Q1 2015 cash burn was consistent with the guidance previously provided. We continue to expect our Q2 2015 cash burn to be in the \$0.6 - \$0.7 million range on an after-tax basis dropping to approximately 50% of that amount starting Q3 2015. As previously noted, cash expenditures will fluctuate depending on the status of the GM litigation. If the litigation goes to trial, costs will increase.

In light of ongoing diversification efforts, the Board of Directors has elected to not declare a dividend in this quarter. The Company will continue to 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**

During the quarter, the balance in plant and equipment was nil and the Company had no other non-tax long-lived assets. Therefore, depreciation of plant and equipment and impairment of long-lived assets are no longer considered critical accounting estimates. There were no other changes to our significant accounting policies or critical accounting estimates during the quarter.

#### **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 has filed certifications, signed by the Company's CEO and CFO, with the Canadian Securities Administrators ("CSA") in conjunction with the filing of its Annual Information Form. In those filings, the Company's CEO and CFO certified, 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 will 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 will 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 interim 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**

In the Company's 2014 filings, the Company's CEO and CFO certified, 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.

In the Company's first quarter 2015 filings, the Company's CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, 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 the MD&A and the interim consolidated financial statements and notes, and the Company's Board of Directors approved these documents prior to their release.

#### **CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING**

As a result of the completion of the Ford contract, the closure of the Oakville facilities, the reduction in volume and changes in the nature of transactions, the Company has reduced its workforce, including the finance function. This has resulted in the Company modifying certain internal controls and introducing compensating controls to mitigate the impact of the reduced finance function. Accordingly, during the three month period ended March 31, 2015, while there have been changes to internal controls we do not believe that the changes materially affect, nor are they reasonably likely to materially affect, the Company's ability to fulfill its financial reporting obligations.

#### **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 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:

- that if the Company cannot demonstrate that it meets all TSX requirements set out in Part VII of The Toronto Stock Exchange Company Manual on or before July 16, 2015, the Company's securities will be delisted 30 days from such date;
- that Automodular will consider options for another listing for the Company's shares in the event that the TSX proceeds with the de-listing;
- that Automodular's cash on hand will allow it to address its ongoing needs while, at the same time, providing flexibility to fund potential new diversification initiatives;
- that by the end of the second quarter we expect that our staffing complement will be down to 2 full time employees and 2 part time consultants;
- that we will leverage the resources on hand to deal with the GM litigation;
- that the Company may repurchase shares following the release of its Q1 2015 financial results;
- that we continue to expect our Q2 2015 cash burn to be in the \$0.6 - \$0.7 million range on an after-tax basis dropping to approximately 50% of that amount starting Q3 2015. As previously noted, cash expenditures will fluctuate depending on the status of the GM litigation. If the litigation goes to trial, costs will increase; and
- that the Company will continue to 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](http://www.sedar.com).

May 7, 2015