

Automodular Corporation

Interim Consolidated Financial Statements For the three months ended March 31, 2016 and 2015

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 March 31, 2016 and 2015 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.

May 5, 2016

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	March 31, 2016	December 31, 2015
ASSETS			
Cash and cash equivalents	4	\$ 33,513	\$ 35,058
Trade and other receivables	4	36	211
Income taxes recoverable	7	1,416	1,296
Prepaid expenses		169	143
Current assets		35,134	36,708
Deferred income taxes	7	203	203
Total assets		\$ 35,337	\$ 36,911
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Trade payables and accrued liabilities	4 and 9	\$ 376	\$ 601
Provisions	5 and 9	22	25
Current liabilities		398	626
Other liabilities	3	129	168
Total liabilities		\$ 527	\$ 794
Total shareholders' equity		\$ 34,810	\$ 36,117
Total liabilities and shareholders' equity		\$ 35,337	\$ 36,911

The accompanying notes form an integral part of these interim consolidated financial statements.

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, 2015		\$ 29,563	\$ 705	\$ 11	\$ 5,838	\$ 36,117
Net loss and comprehensive loss		-	-	-	(335)	(335)
Shares repurchased under normal course issuer bid	6	(825)	-	-	(147)	(972)
Balance, March 31, 2016		\$ 28,738	\$ 705	\$ 11	\$ 5,356	\$ 34,810

<i>(thousands of Canadian dollars)</i>	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance, December 31, 2014		\$ 22,969	\$ 20,084	\$ -	\$ 11,220	\$ 54,273
Net loss and comprehensive loss		-	-	-	(1,643)	(1,643)
Balance, March 31, 2015		\$ 22,969	\$ 20,084	\$ -	\$ 9,577	\$ 52,630

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

<i>(thousands of Canadian dollars, except share and per share amounts)</i>	For the three months months ended March 31,		
	Notes	2016	2015
Sales		\$ -	\$ -
Cost of sales	10	-	-
Exit costs	5 and 10	-	809
Gross margin		-	(809)
General and administrative expense	10	531	1,546
Interest (income)		(72)	(108)
Other (income)		(4)	(26)
Loss before income taxes:		(455)	(2,221)
Current income taxes	7	(120)	(622)
Deferred income taxes	7	-	44
Net loss and comprehensive loss attributable to the shareholders		\$ (335)	\$ (1,643)
Loss per share:			
Basic and diluted	6	\$ (0.03)	\$ (0.08)
Weighted average common shares outstanding:			
Basic and diluted	6	13,342,963	19,378,904

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	For the three months months ended March 31,	
		2016	2015
CASH PROVIDED BY (USED IN)			
OPERATING ACTIVITIES			
Net loss for the period		\$ (335) \$	(1,643)
Income taxes (paid)	7	-	(1,708)
Pension contribution	3	(53)	(53)
Provisions paid	5 and 9	(3)	(6,694)
Items not involving current cash flows:			
Deferred income taxes	7	-	44
Interest (income)		(72)	(108)
(Gain) on disposal of plant and equipment		(4)	(11)
(Gain) on foreign exchange		-	(15)
Pension expense		14	14
Provisions expense	5 and 9	-	809
		(453)	(9,365)
Net change in non-cash working capital:			
Trade and other receivables	4	175	13,744
Income taxes	7	(120)	(622)
Prepaid expenses		(26)	512
Trade payables and accrued liabilities	4 and 9	(225)	(3,268)
Net cash provided (used) by operating activities		(649)	1,001
INVESTING ACTIVITIES			
Interest received on cash and cash equivalents		72	108
Proceeds on disposal of plant and equipment		4	11
Net cash provided by investing activities		76	119
FINANCING ACTIVITIES			
Repurchase of shares under normal course issuer bid	7	(972)	-
Net cash provided (used) by financing activities		(972)	-
Effect of exchange rate changes on cash		-	15
CHANGE IN CASH AND CASH EQUIVALENTS		\$ (1,545) \$	1,135
Cash and cash equivalents, beginning of period		\$ 35,058 \$	54,489
Cash and cash equivalents, end of period		\$ 33,513 \$	55,624

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2016 and 2015
(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, effective August 17, 2015, is now listed on the NEX Board of the TSX Venture Exchange (the "TSXV") under the symbol "AM.H". On July 16, 2015, the Continued Listing Committee of the Toronto Stock Exchange ("TSX") determined that Automodular Corporation no longer met the criteria for continued listing on the TSX since it was not actively engaged in ongoing business. Accordingly, Automodular Corporation's common shares were de-listed from the TSX on August 14, 2015 and commenced trading on NEX on August 17, 2015 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 (formerly, 235 Salem Road Unit 6 Ajax, Ontario). Automodular is domiciled in Canada.

Automodular was a sequencer and sub-assembler of modules that are 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 have now left the Company. As of the date of these financial statements, two salaried employees and one consultant remain.

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, 2015, which are included in the Company's 2015 annual report.

The accompanying 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,

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AS AT MARCH 31, 2016 and 2015
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(All numbers in thousands of Canadian dollars, except share and per share amounts)

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.

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, 2017 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 are 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. The 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 is evaluating the standard and has not yet determined the 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-month periods ended March 31, 2016 was \$14 (2015: \$14).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2016 and 2015
(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:

	March 31, 2016	December 31, 2015
	\$	\$
Loans and receivables		
Cash and cash equivalents	33,513	35,058
Trade and other receivables	36	211
Total	33,549	35,269
Financial liabilities at amortized cost		
Trade payables and accrued liabilities	376	601
Total	376	601

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. PROVISIONS AND EXIT COSTS

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. On October 18, 2013, Automodular signed an extension 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 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.

The balance at March 31, 2016 consists of amounts provided for with respect to outplacement assistance offered to certain former staff members. No additional exit costs have been recorded during the three-month period ended March 31, 2016.

During the three-month period ended March 31, 2015 the Company recorded net exit costs of \$809. These exit costs related to severance for three members of the executive management team as well as certain facility costs related to the carrying costs on the facilities and the payment of third party suppliers and salaries for employees performing close out activities, net of cost recoveries received from Ford.

6. CAPITAL STOCK

	Number of shares	Amount
	#	\$
Issued and outstanding common shares - December 31, 2015	13,528,327	29,563
Shares cancelled under the normal course issuer bid	(377,400)	(825)
Issued and outstanding common shares – March 31, 2016	13,150,927	28,738

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There were no new common shares issued in the three-month periods ended March 31, 2016 and 2015.

Normal course issuer bid (“NCIB”)

On April 9, 2015, Automodular announced that the TSX had accepted the Company’s notice of intention to enter into a normal course issuer bid. Under the terms of the normal course issuer bid, Automodular could acquire up to 1,389,738 common shares, representing 10% of the public float of Automodular’s common shares issued and outstanding as of March 31, 2015, as defined by the policies of the TSX. The normal course issuer bid commenced on April 13, 2015 and terminated on April 12, 2016.

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 has been allocated to retained earnings.

On April 13, 2016, 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 normal course issuer bid, the Company may 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 TSXV. The new normal course issuer bid commenced on April 13, 2016 and will terminate on April 12, 2017. The Company entered into the new normal course issuer bid as it believes that its shares have been trading in a price range that does not reflect the underlying value of the Company.

Weighted average common shares outstanding

	Three months ended March 31,	
	2016	2015
	#	#
Common shares outstanding – basic and fully diluted	13,150,927	19,378,904
Add: weighted average shares cancelled under NCIB	192,036	-
Weighted average common shares outstanding – basic and fully diluted	13,342,963	19,378,904

7. TAXATION

The consolidated effective tax rate in respect of the operations for the three-month periods ended March 31, 2016 was 26% (2015: 26%) and is based on management’s best estimate of the annual effective income tax rate expected for the full financial year.

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8. 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 March 31,	
	2016	2015
	\$	\$
Salaries, fees and short-term employee benefits	292	890
Severance	-	1,198
Total	292	2,088

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

9. CONTINGENCIES AND COMMITMENTS

General

In the ordinary course of business activities, the Company is a party to certain claims. Management believes that the resolution of such claims will not have a material adverse effect on the consolidated financial position of the Company.

Trade payables and accrued liabilities and provisions

The following are the undiscounted contractual maturities of trade payables and accrued liabilities and provisions as at March 31, 2016:

	Total	Less than 1 year
	\$	\$
Trade payables and accrued liabilities	376	376
Provisions	22	22
Total	398	398

10. EXPENSES BY NATURE

	Three months ended March 31,	
	2016	2015
	\$	\$
Wages and employee benefits	306	1,034
Transportation and facility-related costs	23	75
Other	202	437
Exit costs	-	809
Total cost of sales, exit costs and general and administrative expenses	531	2,355