

## **INTERIM MANAGEMENT DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**

### **For the Three-Month Periods Ended March 31, 2016 and 2015**

This interim Management Discussion and Analysis (“MD&A”) is for the three-month periods ended March 31, 2016 and 2015 and should be read in conjunction with Automodular Corporation’s unaudited interim consolidated financial statements for the three-month period ended March 31, 2016, prepared in accordance with International Financial Reporting Standards (“IFRS”). All dollar amounts in the interim 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 commercial agreement with Ford on 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 has no active operations. The Company has retained two salaried employees and one consultant.

On August 14, 2015, Automodular Corporation’s common shares were de-listed from the Toronto Stock Exchange (“TSX”). Effective August 17, 2015 the shares commenced trading on NEX, a separate board of the TSX Venture Exchange (“TSXV”). The shares are trading under the symbol “AM.H”.

#### **FIRST QUARTER OVERVIEW**

Automodular reports a net loss of \$(0.3) million or \$(0.03) per share in the first quarter of 2016 compared to a net loss of \$(1.6) million or \$(0.08) per share in the same quarter of 2015. As noted above, Automodular had no active operations after the fourth quarter of 2014. The results for the first quarter of 2015 included exit costs relating to the closure of the Company’s Oakville facilities and ongoing administrative costs. Results for the current quarter of 2016 include administrative costs and costs associated with the ongoing legal claim against General Motors Company and General Motors of Canada Ltd. (“GM”). General and administrative expenses were lower during the first quarter of 2016 as compared to the same quarter of 2015 due to the rationalization of the Company’s cost structure over the previous twelve months.

#### **FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

##### **Operating activities**

Net cash of \$0.7 million was used by operating activities in the current quarter. During the first quarter of 2015, \$1.0 million in net cash was generated by operating activities. As previously noted, Automodular’s operations ceased in December 2014.

##### **Investing activities**

Cash provided by investing activities of \$0.1 million was consistent in the three-month period ended March 31, 2016 when compared to the same period of 2015.

##### **Financing activities**

During the current quarter, Automodular repurchased 377,400 shares under a normal course issuer bid for total consideration of \$1.0 million, inclusive of fees and before taxes. Automodular did not pay dividends in the first quarter of 2016 nor during the 2015 fiscal year in order to preserve capital and provide enhanced flexibility with respect to the Company’s ongoing diversification initiatives.

##### **Financing resources**

Automodular’s cash on hand at quarter-end totaled \$33.5 million compared to \$35.1 million at the end of 2015. Automodular’s cash on hand will allow it to address its ongoing needs, cover costs with respect to the GM litigation, and at the same time, still provide flexibility to fund potential new diversification initiatives.

## Shareholders' equity

Shareholders' equity decreased from \$36.1 million at December 31, 2015 to \$34.8 million at March 31, 2016 due to the repurchase and cancellation of common shares as part of the normal course issuer bid and the loss generated during the current quarter.

## 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.

Automodular's Q1 2016 results were in line with our expectations. We continue to expect our annualized cash expenditures for 2016 to be approximately \$2.0 million after tax with costs more skewed to the latter half of 2016. As previously noted, cash expenditures will fluctuate depending on the status of the GM litigation.

With respect to the GM litigation, there is no material update to the information shared in our Annual Report. Automodular has served and filed its Trial Record in order to set the matter for trial. Dates for pre-trial and trial will be scheduled by the Court in due course. Automodular will communicate with its stakeholders when it has something material to share in respect of this matter. There can be no assurance that the claim will be successful or that Automodular will recover any amounts from GM.

On April 13, 2016, following the expiry of its existing normal course issuer bid, the Company 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.

Our focus is unchanged. We are moving the GM litigation forward while actively containing costs. We continue to be open to considering transactional opportunities to leverage our public company listing and cash balances.

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.

## 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 Automodular's cash on hand will allow it to address its ongoing needs, cover costs with respect to the GM litigation, and at the same time, still provide flexibility to fund potential new diversification initiatives;
- that we continue to expect our annualized cash expenditures for 2016 to be approximately \$2.0 million after tax with costs more skewed to the latter half of 2016. Amounts will fluctuate based on the status of the GM litigation;
- the GM litigation will move forward and the Court will schedule dates for pre-trial and trial;

- that we remain open to considering transactional opportunities to leverage our public company listing and cash balances; 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 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, can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

May 5, 2016