

INTERIM MANAGEMENT DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

For the Nine-Month Periods Ended September 30, 2016 and 2015

This interim Management Discussion and Analysis (“MD&A”) is for the three and nine-month periods ended September 30, 2016 and 2015 and should be read in conjunction with Automodular Corporation’s unaudited interim consolidated financial statements for the three and nine-month periods ended September 30, 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”.

THIRD QUARTER OVERVIEW

Automodular reports a net loss of \$(0.1) million or \$(0.01) per share in the third quarter of 2016 compared to a net loss of \$(0.3) million or \$(0.02) 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 third quarter of 2015 included exit costs relating to the closure of the Company’s Oakville facilities, ongoing administrative costs and a recovery of cost of sales as a result of the successful mitigation of previously recognized obligations related to the Oakville operations. 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”) and a small recovery of cost of sales following the successful mitigation of previously recognized Oakville-related obligations. General and administrative expenses were lower during the second quarter of 2016 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 \$0.1 million was provided by operating activities in the current year-to-date period. During the current quarter, Automodular received an income tax refund of \$1.4 million. In the same year-to-date period of 2015, \$3.7 million in net cash was used by operating activities. As previously noted, Automodular’s operations ceased in December 2014.

Investing activities

Cash provided by investing activities of \$0.2 million was consistent in the nine-month period ended September 30, 2016 when compared to the same period of 2015.

Financing activities

During the current quarter, Automodular repurchased 69,000 shares under a normal course issuer bid for total consideration of \$0.2 million, inclusive of fees and before taxes. On a year to date basis, Automodular repurchased 519,300 shares under its normal course issuer bid programs, compared to 110,600 shares purchased during the same period in 2015.

Financing resources

Automodular’s cash on hand at quarter-end totaled \$34.1 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 \$34.0 million at September 30, 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 year-to-date period.

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 Q3 2016 results were slightly better than expected due to the recovery of previously recognized Oakville operations amounts.

With respect to the GM litigation, counsel for the parties attended at trial scheduling court in Toronto in October. Based on the trial dates offered by the court, we have sought a transfer of this matter to the Ontario Superior Court of Justice's Commercial List in order to seek an earlier trial date. Automodular will continue to pursue the earliest possible pre-trial and trial dates and will communicate with its stakeholders when it has something material to share. There can be no assurance that the claim will be successful or that Automodular will recover any amounts from GM.

As a result of the extended timing of the GM litigation, we expect our annualized cash expenditures for 2016 to be approximately \$1.1 million after tax compared to the \$2.0 figure previously shared.

During 2016, Automodular continued to repurchase shares as part of its NCIB program. On a year to date basis, we have repurchased 519,300 common shares for cancellation and will continue to repurchase shares when it is advantageous to do so.

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 as a result of the timing of the GM litigation, we now expect our annualized cash expenditures for 2016 to be approximately \$1.1 million after tax;

- that Automodular will continue to pursue the earliest possible pre-trial and trial dates and will communicate with its stakeholders when it has something material to share. There can be no assurance that the claim will be successful or that Automodular will recover any amounts from GM;
- 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.

November 3, 2016