

# Automodular Corporation

## Interim Consolidated Financial Statements For the three months ended March 31, 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 March 31, 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.

May 9, 2017

**AUTOMODULAR CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(unaudited)*

<i>(thousands of Canadian dollars)</i>	<b>Notes</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>ASSETS</b>			
Cash and cash equivalents	4	\$ 33,244	\$ 33,799
Other receivables	4	46	30
Income taxes recoverable	7	437	295
Prepaid expenses		120	152
<b>Current assets</b>		<b>33,847</b>	<b>34,276</b>
Deferred income taxes	7	27	31
<b>Total assets</b>		<b>\$ 33,874</b>	<b>\$ 34,307</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Payables and accrued liabilities	4	\$ 501	\$ 592
Provisions		16	16
<b>Current liabilities</b>		<b>517</b>	<b>608</b>
Other liabilities	3	148	134
<b>Total liabilities</b>		<b>\$ 665</b>	<b>\$ 742</b>
<b>Total shareholders' equity</b>		<b>\$ 33,209</b>	<b>\$ 33,565</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 33,874</b>	<b>\$ 34,307</b>

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
<b>Balance, December 31, 2016</b>		\$ 28,365	\$ 705	\$ 11	\$ 4,484	\$ 33,565
Net loss and comprehensive loss		-	-	-	(356)	(356)
<b>Balance, March 31, 2017</b>		\$ 28,365	\$ 705	\$ 11	\$ 4,128	\$ 33,209

<i>(thousands of Canadian dollars)</i>	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
<b>Balance, December 31, 2015</b>		\$ 29,563	\$ 705	\$ 11	\$ 5,838	\$ 36,117
Net loss and comprehensive loss		-	-	-	(335)	(335)
Shares repurchased under normal course issuer bid	5	(825)	-	-	(147)	(972)
<b>Balance, March 31, 2016</b>		\$ 28,738	\$ 705	\$ 11	\$ 5,356	\$ 34,810

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**AUTOMODULAR CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(unaudited)*

<i>(thousands of Canadian dollars, except share and per share amounts)</i>	<b>For the three months months ended March 31,</b>		
	<b>Notes</b>	<b>2017</b>	<b>2016</b>
General and administrative expense	8 \$	550 \$	531
Interest (income)		(69)	(72)
Other (income)		-	(4)
<b>Loss before income taxes:</b>		(481)	(455)
Current income taxes	6	(129)	(120)
Deferred income taxes	6	4	-
<b>Net loss and comprehensive loss attributable to the shareholders</b>	<b>\$</b>	<b>(356) \$</b>	<b>(335)</b>
<b>Loss per share:</b>			
Basic and diluted	5 \$	(0.03) \$	(0.03)
<b>Weighted average common shares outstanding:</b>			
Basic and diluted	5	12,980,027	13,336,291

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

**AUTOMODULAR CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW**  
*(unaudited)*

<i>(thousands of Canadian dollars)</i>	<b>Notes</b>	<b>For the three months months ended March 31,</b>	
		<b>2017</b>	<b>2016</b>
<b>CASH PROVIDED BY (USED IN)</b>			
<b>OPERATING ACTIVITIES</b>			
Net earnings (loss) for the period		\$ (356)	\$ (335)
Income taxes received (paid)	7	(13)	-
Pension contribution	3	-	(53)
Provisions paid		-	(3)
<b>Items not involving current cash flows:</b>			
Deferred income taxes	7	4	-
Interest (income)		(69)	(72)
(Gain) on disposal of plant and equipment		-	(4)
Pension expense	3	14	14
		(420)	(453)
<b>Net change in non-cash working capital:</b>			
Other receivables	4	(16)	175
Income taxes	7	(129)	(120)
Prepaid expenses		32	(26)
Payables and accrued liabilities	4	(91)	(225)
<b>Net cash used by operating activities</b>		<b>(624)</b>	<b>(649)</b>
<b>INVESTING ACTIVITIES</b>			
Interest received on cash and cash equivalents		69	72
Proceeds on disposal of plant and equipment		-	4
<b>Net cash provided by investing activities</b>		<b>69</b>	<b>76</b>
<b>FINANCING ACTIVITIES</b>			
Repurchase of shares under normal course issuer bid	5	-	(972)
<b>Net cash used by financing activities</b>		<b>-</b>	<b>(972)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>\$ (555)</b>	<b>\$ (1,545)</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>\$ 33,799</b>	<b>\$ 35,058</b>
<b>Cash and cash equivalents, end of period</b>		<b>\$ 33,244</b>	<b>\$ 33,513</b>

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 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 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, Automodular retains two salaried employees and 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 MARCH 31, 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-month periods ended March 31, 2017 was \$14 (2016: \$14).

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 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:

	March 31, 2017	December 31, 2016
	\$	\$
<b>Loans and receivables</b>		
Cash and cash equivalents	33,244	33,799
Other receivables	46	30
<b>Total</b>	<b>33,290</b>	<b>33,829</b>
<b>Financial liabilities at amortized cost</b>		
Payables and accrued liabilities	501	592
<b>Total</b>	<b>501</b>	<b>592</b>

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
	#	\$
<b>Issued and outstanding common shares - December 31, 2016 and March 31, 2017</b>	<b>12,980,027</b>	<b>28,365</b>

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

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 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.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2017 and 2016**  
*(unaudited)*

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

**Weighted average common shares outstanding**

	<b>Three months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>#</b>	<b>#</b>
<b>Common shares outstanding – basic and fully diluted</b>	<b>12,980,027</b>	<b>13,528,327</b>
Less: weighted average shares cancelled under NCIB	-	192,036
<b>Weighted average common shares outstanding – basic and fully diluted</b>	<b>12,980,027</b>	<b>13,336,291</b>

**6. TAXATION**

The consolidated effective tax rate in respect of the operations for the three month period ended March 31, 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:

	<b>Three months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Salaries, fees and short-term employee benefits	284	292

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

**8. EXPENSES BY NATURE**

	<b>Three months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Wages, fees and benefits	299	306
Transportation and facility-related costs	26	23
Other	225	202
<b>Total general and administrative expenses</b>	<b>550</b>	<b>531</b>