

INTERNATIONAL ROAD DYNAMICS INC.

Consolidated Balance Sheets

February 28, 2005, with comparative figures for November 30, 2004

"Unaudited"

	February 28 2005	November 30 2004
Assets		
Current assets:		
Cash	\$ 1,958,042	\$ 632,823
Accounts receivable	7,386,971	11,953,467
Inventory	5,742,144	5,191,353
Investment tax credits recoverable	474,000	474,000
Prepaid expenses and deposits	319,500	342,831
	<u>15,880,657</u>	<u>18,594,474</u>
Investment tax credits recoverable	3,030,000	2,900,000
Property, plant and equipment	4,547,568	4,576,853
Intangible assets	85,262	91,082
	<u>\$ 23,543,487</u>	<u>\$ 26,162,409</u>
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term loans	\$ 3,943,275	\$ 6,294,275
Accounts payable and accrued liabilities	3,009,946	3,185,569
Income taxes payable	140,243	114,862
Deferred revenue	199,000	199,000
Future income taxes	526,000	506,000
Current portion of long-term debt	578,700	578,700
	<u>8,397,164</u>	<u>10,878,406</u>
Long-term debt - net	1,386,124	1,530,185
Deferred revenue	310,009	319,606
Future income taxes	521,000	610,000
	<u>10,614,297</u>	<u>13,338,197</u>
Shareholders' Equity:		
Share capital	11,798,562	11,782,058
Contributed surplus (note 2)	119,843	119,843
Retained earnings	1,010,785	922,311
	<u>12,929,190</u>	<u>12,824,212</u>
	<u>\$ 23,543,487</u>	<u>\$ 26,162,409</u>

INTERNATIONAL ROAD DYNAMICS INC.

Interim Consolidated Statement of Operations and Retained Earnings

"Unaudited"

	Three months ended	
	February 28 2005	February 29 2004
Sales	\$ 7,166,957	\$ 6,663,554
Cost of sales	4,999,851	5,250,925
	2,167,106	1,412,629
Administrative and marketing expenses	1,774,050	1,707,950
Operating income (loss)	393,056	(295,321)
Research and development	137,510	223,637
Earnings (loss) before undernoted items	255,546	(518,958)
Other expenses (income)		
Foreign exchange (gain)	(77,178)	(180,484)
Amortization	191,895	211,473
Interest on short-term debt	93,970	66,506
Interest on long-term debt	33,742	22,161
Interest and other income	(26,625)	(19,745)
	215,804	99,911
Earnings (loss) before provision for income taxes	39,742	(618,869)
Provision for (recovery of) income taxes		
Current	20,268	30,133
Future (recovery)	(69,000)	(355,000)
	(48,732)	(324,867)
Net earnings (loss) for the period	88,474	(294,002)
Retained earnings, beginning of period		
As previously reported	1,042,154	1,959,238
Less stock based compensation of prior periods	(119,843)	(2,843)
As restated	922,311	1,956,395
Retained earnings, end of period	\$ 1,010,785	\$ 1,662,393
Earnings (loss) per share - basic and diluted	\$ 0.01	\$ (0.02)

INTERNATIONAL ROAD DYNAMICS INC.

Interim Consolidated Statement of Cash Flows

"Unaudited"

	Three months ended	
	February 28 2005	February 29 2004
Cash provided by (used in):		
Operations:		
Net earnings (loss)	\$ 88,474	\$ (294,002)
Items not involving cash:		
Amortization	191,895	211,473
Issue of common shares for expenses	16,504	-
Deferred revenue	(9,597)	(99,392)
Change in non-cash working capital:		
Accounts receivable	4,566,496	1,671,189
Investment tax credits recoverable	(130,000)	(200,000)
Provision for current and future income taxes	(43,619)	(318,694)
Inventory	(550,791)	185,040
Prepaid expenses and deposits	23,331	(22,651)
Accounts payable and accrued liabilities	(175,623)	(1,221,731)
	<u>3,977,070</u>	<u>(88,768)</u>
Financing:		
Net short-term loans	(2,351,000)	(154,066)
Repayment of long-term debt	(144,061)	(15,294)
Common shares issued	-	164,787
	<u>(2,495,061)</u>	<u>(4,573)</u>
Investing:		
Additions to property, plant and equipment	(156,790)	(178,000)
Increase (decrease) in cash	1,325,219	(271,341)
Cash, beginning of period	632,823	921,943
Cash, end of period	<u>\$ 1,958,042</u>	<u>\$ 650,602</u>
Supplemental cash flow disclosure:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ 127,712	\$ 88,667

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Consolidated Interim Financial Statements

Period ended February 28, 2005

"Unaudited"

1. Significant accounting policies

These interim financial statements are based on the same accounting policies and methods of their application as, and should be read in conjunction with the most recent audited annual financial statements as of November 30, 2004.

The consolidated balance sheet as at February 28, 2005, and the consolidated statements of operations and cash flow for the three months then ended have not been audited, however management believes that all adjustments necessary to present these interim financial statements fairly have been included.

2. Share capital:

(a) Share transactions:

	Number of shares	\$ amount
Balance, November 30, 2004	13,747,614	11,782,058
Shares issued in exchange for expenses	18,862	16,504
	<u>13,766,476</u>	<u>11,798,562</u>

(b) Options

Under the terms of a stock option plan approved by the shareholders in May, 1997 and amended in 1998, the Company is authorized to grant directors, officers, employees and others options to purchase common shares at prices based on the market price of shares as determined on the date of grant. At February 28, 2005, 1,198,165 (2004) - 1,617,665) options remain available to be granted. Stock options become exercisable at dates determined by the Compensation Committee of the Board of Directors.

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Consolidated Interim Financial Statements

Period ended February 28, 2005

"Unaudited"

2. Share capital - continued

At February 28, 2005 the following stock options to directors, officers, employees and others were outstanding:

Exercise Prices	Number Outstanding at February 28, 2005	Options Outstanding		Options Exercisable	
		Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number Exercisable at February 28, 2005	Weighted -Average Exercise Price
\$ 0.95 – 1.16	40,000	0.88	\$1.02	36,667	\$1.02
\$ 1.28	885,000	4.00	\$1.28	–	\$ –
\$ 1.30 – 1.60	50,000	0.65	\$1.48	46,667	\$1.49
	975,000			83,334	

The Company has granted stock options to directors, officers, employees and others as follows:

	Number of Common Shares Issuable	Weighted Average Exercise Price
Outstanding, November 30, 2002	919,500	\$ 1.27
Options granted	60,000	1.04
Options exercised	(195,000)	0.86
Options expired and cancelled	(50,000)	1.29
Outstanding, November 30, 2003	734,500	\$ 1.35
Options granted	937,500	1.28
Options exercised	(140,667)	1.17
Options expired and cancelled	(556,333)	1.41
Outstanding, November 30, 2004 and February 28, 2005	975,000	\$ 1.28

Outstanding options expire between June 30, 2005 and February 28, 2009.

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Consolidated Interim Financial Statements

Period ended February 28, 2005

"Unaudited"

2. Share capital - continued

Effective December 1, 2002, the Company adopted new CICA Handbook Section 3870, "Stock-based Compensation and other Stock-based Payments". This section requires that a fair value based method of accounting be applied to direct awards of stock options to employees. This standard allowed the Company to continue its existing policy, the intrinsic value based method, of recording no compensation cost of the grant of stock options to employees. For each of the 2003 and 2004 fiscal years pro forma information was presented which reflects the difference between compensation costs recorded under the intrinsic based method and costs that would have been recorded under the fair value based method. The fair value of stock options issued in the 2004 year was estimated using the Black-Scholes option pricing model with assumptions of three year weighted average option life, expected forfeiture rate of 50%, 22% volatility and risk-free rate of return of 2.31%. For the year ended November 30, 2004, the effect on compensation cost of using this approach would be to increase the net loss by \$117,000 and for the 2003 fiscal year to reduce net earnings by \$2,843. In the 2005 fiscal year the Company has retroactively adopted the fair value based method of accounting for awards of employee stock options. Prior periods have not been restated and an adjustment has been made to the opening balance of retained earnings of the current period to reflect the cumulative effect of the change on prior periods.