INTERNATIONAL ROAD DYNAMICS INC.
Notice of No Auditor Review of Restated Interim Consolidated Financial Statements
Period Ended August 31, 2008

The accompanying unaudited restated interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

April 27, 2009

[Signed]	[Signed]
Terry Bergan	Mel Karakochuk
Chief Executive Officer	Chief Financial Officer

INTERNATIONAL ROAD DYNAMICS INC.
Restated Interim and Annual Consolidated Balance Sheets
August 31, 2008 with comparative figures for November 30, 2007

	2008 Unaudited	2007 Audited
	(Restated - note 11)	
Assets		
Current assets:		
Cash	$ 728,689	$ 1,028,465
Accounts receivable	14,998,666	10,650,960
Income taxes receivable	91,156	-
Investment tax credits recoverable	328,000	328,000
Inventory	7,034,580	6,581,626
Prepaid expenses and deposits	726,440	426,206
	23,907,531	19,015,257
Investment tax credits recoverable	3,797,672	3,449,000
Property, plant and equipment	7,237,073	7,548,315
Intangible assets	182,146	230,076
Equity investments (note 3)	5,216,801	608,688
	$40,341,223	$30,851,336
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term loans	$ 7,384,065	$ 5,172,258
Accounts payable and accrued liabilities	6,367,924	3,117,605
Income taxes payable	-	71,260
Deferred revenue	102,919	49,160
Current portion of long-term debt (note 4)	5,111,000	802,000
Future income taxes	379,140	538,000
	19,345,048	9,750,283
Deferred revenue	60,009	116,011
Long-term debt (note 4)	3,785,186	3,906,615
Future income taxes	201,365	324,000
	23,391,608	14,096,909
Shareholders' equity:		
Share capital (note 5)	12,048,821	12,004,179
Contributed surplus	176,263	149,168
Retained earnings	4,163,987	4,705,703
Accumulated other comprehensive income (loss)	560,544	(104,623)
	16,949,615	16,754,427
	$40,341,223	$30,851,336

See accompanying notes to restated consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.
Restated Interim Consolidated Statement of Earnings
Unaudited

	Three months ended August 31 2008	Three months ended August 31 2007	Nine months ended August 31 2008	Nine months ended August 31 2007
	(Restated - note 11)		(Restated - note 11)	
Sales	$ 10,208,514	$ 10,398,812	$ 26,366,134	$ 29,819,027
Cost of sales	7,208,233	7,254,582	18,592,650	20,396,466
	3,000,281	3,144,230	7,773,484	9,422,561
Administrative and marketing expenses	2,169,886	1,990,206	6,496,351	6,257,922
	830,395	1,154,024	1,277,133	3,164,639
Research and development (net)	265,456	261,579	590,769	494,534
Earnings before other expenses (income)	564,939	892,445	686,364	2,670,105
Other expenses (income)				
Foreign exchange loss (gain)	(220,127)	(19,077)	(105,816)	(28,535)
Amortization	271,209	287,943	821,214	739,290
Interest on short-term debt	141,733	101,277	343,412	317,617
Interest on long-term debt	100,878	63,866	397,927	176,767
Interest and other (income)	(76,121)	(23,151)	(176,157)	(74,483)
Equity loss (earnings) (note 3)	43,295	(50,000)	182,573	(420,000)
	260,867	360,858	1,463,153	710,656
Earnings (loss) before income taxes	304,072	531,587	(776,789)	1,959,449
Provision for (recovery of) income taxes				
Current	145,755	398,293	46,422	797,917
Future	(29,960)	(164,492)	(281,495)	(237,672)
	115,795	233,801	(235,073)	560,245
Net earnings (loss) for the period	188,277	297,786	(541,716)	1,399,204
Earnings (loss) per share - basic	$ 0.01	$ 0.02	$ (0.04)	$ 0.10
- diluted	$ 0.01	$ 0.02	$ (0.04)	$ 0.10

See accompanying notes to restated consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.
Restated Interim Consolidated Statements of Shareholders' Equity
Unaudited

	Three months ended Aug 31 2008	2007	Nine months ended Aug 31 2008	2007
	(Restated - note 11)		(Restated - note 11)	
Share capital (note 5):				
Balance, beginning of period	$ 12,032,075	$ 11,962,300	$ 12,004,179	$ 11,916,682
Shares issued for expenses	16,746	13,934	44,642	39,712
Exercise of stock options	-	15,935	-	35,775
Balance, end of period	$ 12,048,821	$ 11,992,169	$ 12,048,821	$ 11,992,169
Contributed surplus:				
Balance, beginning of period	$ 165,819	$ 148,493	$ 149,168	$ 140,843
Stock based compensation	10,444	3,825	27,095	11,475
Exercise of stock options	-	(6,975)	-	(6,975)
Balance, end of period	$ 176,263	$ 145,343	$ 176,263	$ 145,343
Retained earnings:				
Balance, beginning of period	$ 3,975,710	$ 4,442,177	$ 4,705,703	$ 3,340,759
Net earnings	188,277	297,786	(541,716)	1,399,204
Balance, end of period	$ 4,163,987	$ 4,739,963	$ 4,163,987	$ 4,739,963
Accumulated other comprehensive income (loss):				
Balance, beginning of period	$ 133,086	$ (113,732)	$ (104,623)	$ (72,425)
Other comprehensive income (loss)	427,458	(15,838)	665,167	(57,145)
Balance, end of period	$ 560,544	$ (129,570)	$ 560,544	$ (129,570)
Total retained earnings and accumulated other comprehensive income	$ 4,724,531	$ 4,610,393	$ 4,724,531	$ 4,610,393
Total shareholders' equity	$ 16,949,615	$ 16,747,905	$ 16,949,615	$ 16,747,905

Accumulated other comprehensive income (loss) is comprised solely of net unrealized foreign currency translation losses.

See accompanying notes to restated consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.
Restated Interim Consolidated Statement of Comprehensive Income
Unaudited

	Three months ended August 31		Nine months ended August 31	
	2008	2007	2008	2007
	(Restated - note 11)		(Restated - note 11)	
Net earnings	$ 188,277	$ 297,786	$ (541,716)	$ 1,399,204
Other comprehensive income				
Unrealized foreign currency translation gain(loss)	427,458	(15,838)	665,167	(57,145)
Total comprehensive income	$ 615,735	$ 281,948	$ 123,451	$ 1,342,059

See accompanying notes to restated consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.

Restated Interim Consolidated Statement of Cash Flows
Unaudited

	Three months ended August 31 2008	Three months ended August 31 2007	Nine months ended August 31 2008	Nine months ended August 31 2007
	(Restated - note 11)		(Restated - note 11)	
Cash provided by (used in):				
Operations:				
Net earnings	$ 188,277	$ 297,786	$ (541,716)	$ 1,399,204
Items not involving cash:				
Amortization	271,209	287,943	821,214	739,290
Common shares issued for expenses	16,746	13,934	44,642	39,712
Stock-based compensation	10,444	3,825	27,095	11,475
Income from equity investments	43,295	(50,000)	182,573	(420,000)
Recovery of future income taxes	(29,960)	(164,491)	(281,495)	(237,671)
Investment tax credits recoverable	(118,179)	(102,727)	(348,672)	(340,899)
Deferred revenue	42,097	(440,241)	(2,243)	(211,235)
Other operating items (note 7)	(1,851,387)	979,911	(2,029,160)	3,184,224
	(1,427,458)	825,940	(2,127,762)	4,164,100
Financing:				
Net short-term loans	1,745,863	315,098	2,211,807	(781,349)
Proceeds on long-term debt	-	726,599	6,402,500	1,227,981
Repayment of long-term debt	(143,769)	(184,749)	(3,214,929)	(568,849)
Proceeds from exercise of stock options	-	8,960	-	28,800
	1,602,094	865,908	5,399,378	(93,417)
Investing:				
Investment in Xuzhou	-	-	(3,548,376)	-
Capital distribution from PAT Traffic Brazil	-	-	439,026	-
Additions to property, plant and equipment	(156,067)	(1,225,318)	(455,866)	(2,932,415)
Additions to intangible assets	101	(26)	(6,176)	(243,947)
	(155,966)	(1,225,344)	(3,571,392)	(3,176,362)
Increase (decrease) in cash	18,670	466,504	(299,776)	894,321
Cash, beginning of period	710,019	927,935	1,028,465	500,118
Cash, end of period	$ 728,689	$ 1,394,439	$ 728,689	$ 1,394,439
Supplemental cash flow disclosure:				
Interest paid	$ 225,111	$ 165,143	$ 676,689	$ 494,384
Income taxes paid (received)	$ (85,022)	$ 131,158	$ 49,978	$ 374,842

See accompanying notes to restated consolidated financial statements.

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, 2007, except as outlined in note 2.

The consolidated balance sheet as at August 31, 2008, and the consolidated statements of earnings, shareholders' equity, comprehensive income and cash flow for the nine months then ended have not been independently audited or reviewed, however management believes that all adjustments necessary to present these interim financial statements fairly have been included.

2. New accounting pronouncements

Effective December 1, 2007 the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Accounting changes - CICA 1506

This standard prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Changes in accounting policies are only permitted if they result from the initial application of a primary source of Generally Accepted Accounting Principles (GAAP) or if they result in the financial statements providing reliable and more relevant information.

Capital disclosures - CICA 1535

This standard establishes guidelines for the disclosure of information regarding an entity's capital and how it is managed including enhanced disclosure requirements with respect to the objectives, policies and processes for managing capital and whether it has complied with any externally imposed capital requirements to which it is subject. The new disclosure requirements are presented in Note 9.

Financial instruments - CICA 3862 and 3863

These standards increase the disclosure required with respect to the significance of financial instruments and the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. This includes disclosure about credit risk, liquidity risk and market risk. The new disclosure requirements are presented in Note 8.

The Company has not yet adopted the following accounting standards issued by the CICA and is currently reviewing these standards to determine the potential impact on its consolidated financial statements.

Inventories - CICA 3031

In May 2007, the CICA issued Handbook Section 3031, Inventories, which supersedes Handbook Section 3030 and converges with the International Accounting Standard Board (IASB)'s recently amended standard IAS 2, Inventories.

2. New accounting pronouncements - *continued*

The standard introduces significant changes to the measurement and disclosure of inventory. The measurement changes include; the elimination of LIFO, the requirement to measure inventories at the lower of cost and net realizable value, the allocation of overhead based on normal capacity, the use of the specific cost method for inventories that are not ordinarily interchangeable or goods and services produced for specific purposes, the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Disclosures of inventories have also been enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed. This new standard will apply to the Company effective December 1, 2008.

General Standards of Financial Statement Presentation – CICA 1400

In June 2007, the CICA amended Section 1400 General Standards of Financial Statement Presentation, to include requirements to assess and disclose an entity's ability to continue as a going concern. The Company will adopt the amendments to this standard beginning December 1, 2008.

Goodwill and Intangible Assets – CICA 3064

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The standard introduces guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The Section harmonizes Canadian standards with International Financial Reporting Standards (IFRS) and applies to annual and interim financial statements beginning on or after October 1, 2008.

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has determined that IFRS will become Canadian GAAP for Publicly Accountable Enterprises by January 1, 2011. At this date, publicly accountable enterprises will be required to prepare financial statements in accordance with IFRS.

3. Equity investments

	Three months ended August 31		Nine months ended August 31	
	2008	2007	2008	2007
	(Restated - note 11)		(Restated - note 11)	
PAT Traffic Brazil:				
Balance - beginning of period	$ 144,662	$ 775,688	$ 608,688	$ 405,688
Equity earnings	60,000	50,000	35,000	420,000
Distributions	-		(439,026)	-
Balance - end of period	204,662	825,688	204,662	825,688
Xuzhou-PAT Control Technologies Limited:				
Balance - beginning of period	$ 4,703,505	$ -	$ -	$ -
Net assets acquired including acquisition costs of $48,376	-	-	4,548,376	-
Currency gain on financial statement translation	411,929	-	681,336	-
Equity earnings (loss)	(103,295)	-	(217,573)	-
Balance - end of period	5,012,139	-	5,012,139	-
Total equity investments	$ 5,216,801	$ 825,688	$ 5,216,801	$ 825,688

3. Equity investments – *continued*

Business acquisition

On December 12, 2007 the Company acquired 50% of the common shares of Xuzhou-PAT Control Technologies Limited (XPCT) located in Xuzhou, Jiangsu, China. XPCT has been the Company's distributor in China since 2003 and is a design, manufacturing and service company focused on providing high technology ITS solutions to the growing highway and roadway infrastructure business throughout China. Of the purchase price of $4.5 million, $3.5 million was paid on closing of the transaction December 12, 2007 and $1 million is financed by a vendor loan with $750,000 payable December 12, 2008 and $250,000 payable December 12, 2009. In addition to the purchase price of $4.5 million, an additional $250,000 is payable in each of 2009 and 2010 provided XPCT achieves certain net profit targets.

The results of XPCT's operations have been included in the Company's consolidated financial statements from the date of acquisition using the equity method of accounting. The estimated fair value of the assets acquired and the liabilities assumed are summarized in the table below:

Cash	$	361,307
Other current assets		3,920,818
Buildings and equipment		254,578
Land use rights		109,556
Intangible assets		347,000
Goodwill		1,517,653
Current liabilities		(1,838,846)
Future income tax liability		(123,690)
Net assets acquired including costs of acquisition	$	4,548,376

Intangible assets will be amortized over their estimated economic lives of 12 years.

4. Long-term debt

In December 2007 the Company arranged a $4 million non-revolving demand facility with Royal Bank of Canada to finance its acquisition of XPCT. Under the terms of this loan facility, principal payments are not required during the first 12 months; however, interest is payable monthly at Royal Bank of Canada prime rate plus 2%. After this 12 month period the Company can convert this loan to a fixed interest rate loan; the maximum repayment term of this loan is 5 years from December 2008. At May 31, 2008 the Company had drawn $3.5 million under this facility; this entire amount is included in the current portion of long-term debt. The remaining $1 million of the XPCT purchase price is financed by a vendor loan which is repayable, along with interest at a rate of 7%, in the amounts of $750,000 at December 12, 2008 and $250,000 at December 12, 2009.

On December 27, 2007 the Company closed a mortgage loan with Royal Bank of Canada in the amount of $2,902,500. The proceeds of this mortgage loan were used to pay out the interim credit facility for the construction of the manufacturing facility as well as to pay out the previous mortgage loan with Royal Bank of Canada which originally came due on August 1, 2007 and was extended to December 2007. The mortgage loan is amortized over 20 years with interest at a fixed rate of 6.144% for a 5 year term and payments of principal and interest of $20,906 monthly. The mortgage is secured by a first charge on the Company's land and building and a general security agreement on all the assets of the Company.

4. Long-term debt – ***continued***

The following represents the aggregate principal payments over the next five years and thereafter at August 31, 2008 based on the revised debt arrangements:

Due within 1 year	5,111,000
Due between 1 and 2 years	1,026,000
Due between 2 and 3 years	90,000
Due between 3 and 4 years	95,000
Due between 4 and 5 years	101,000
Thereafter	2,473,186
	8,896,186

5. Share capital

	Number of shares	$ Amount
Balance, November 30, 2007	13,930,427	12,004,179
Shares issued in exchange for expenses	32,843	44,642
Balance, August 31, 2008	13,963,270	12,048,821

There are currently 1,357,000 stock options outstanding; each of which may be exercised to purchase one common share of the Company at prices ranging from $1.20 to $1.32 per share.

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 the grant. At August 31, 2008, 773,665 (2007 – 833,165) options remain available to be granted. Stock options become exercisable at dates determined by the Compensation Committee of the Board of Directors.

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

	Number of Common Shares Issuable	Weighted-average Exercise Price
Outstanding, November 30, 2007	1,292,500	$1.28
Options granted during the period	185,000	$1.29
Options cancelled or expired during the period	(120,500)	$1.29
Outstanding, August 31, 2008	1,357,000	$1.29

5. Share capital - *continued*

At August 31, 2008, the following stock options to officers, employees and others were outstanding:

Exercise Price	Number Outstanding at August 31, 2008	Weighted-average Remaining Contractual Life (years)	Number Exercisable at August 31, 2008
$1.20	75,000	2.25	75,000
$1.23	100,000	2.25	100,000
$1.26	95,000	3.25	31,667
$1.28	654,500	0.50	650,750
$1.29	185,000	4.67	-
$1.32	247,500	3.42	82,500
	1,357,000	2.02	939,917

6. Segmented information

The Company operates in one industry segment, the Intelligent Transportation Systems industry, which involves the engineering, software development, manufacturing and integration of products and systems to highway departments and industry to improve the efficiency of traffic flows.

The Company had sales in the following geographic areas:

	Three months ended August 31		Nine months ended August 31	
	2008	2007	2008	2007
Canada	$ 1,060,192	$ 1,248,149	$ 2,971,840	$ 4,478,106
United States	4,900,722	7,056,679	13,557,548	17,273,808
Offshore	4,247,600	2,093,984	9,836,746	8,067,113
	$ 10,208,514	$ 10,398,812	$ 26,366,134	$29,819,027

7. Statement of cash flows

Other operating items

	Three months ended August 31		Nine months ended August 31	
	2008	2007	2008	2007
	(Restated - note 11)		(Restated - note 11)	
Accounts receivable	$ (5,149,810)	$ 2,123,675	$ (4,363,875)	$ 5,721,854
Income taxes receivable	71,917	-	(91,156)	-
Inventory	392,027	(642,142)	(452,954)	(2,395,384)
Prepaid expenses and deposits	(8,251)	(87,352)	(300,234)	(127,834)
Accounts payable and accrued liabilities	2,842,730	(681,405)	3,250,319	(437,487)
Income taxes payable	-	267,135	(71,260)	423,075
	$ (1,851,387)	$ 979,911	$ (2,029,160)	$ 3,184,224

8. Financial assets and liabilities

Financial assets of the Company consist of cash and accounts receivable. Cash is classified as held for trading and measured at fair value and accounts receivable is classified as loans and receivables and measured at amortized cost. Financial liabilities of the Company consist of accounts payable and accrued liabilities, short-term loans, current portion of long-term debt and long-term debt; these are classified as other liabilities and are measured at amortized cost.

The carrying amounts of the Company's financial assets and liabilities including cash, accounts receivable and accounts payable and accrued liabilities approximate fair value due to the short-term maturity of these items. The fair value of the short-term loans approximates the carrying amounts since the debt bears interest at current market rates. The fair value of long-term debt as at August 31, 2008 was $9.038 million as compared to $8.896 million in carrying value.

The fair value of the Company's fixed long-term debt was estimated based on discounted future cash flows using current rates for similar debt subject to similar rates and maturities.

The company's mortgage of $2.861 million due December 2013 is secured by a first charge on the Company's land and building and a general security agreement on all the assets of the company. The carrying amounts of the land and building are $4.073 million and $40.505 million for all the assets of the company. The company's term loan with the Royal Bank of Canada of $1.535 million due June 30, 2010 is also secured by a general security agreement on the assets of the company.

At August 31, 2008 the Company has foreign currency exchange contracts to sell $4.8 million U.S. Dollars. These contracts mature within the next 30 days and have a nominal value at August 31, 2008.

The Board of Directors is responsible to ensure that management identifies the principal risks of the Company's business and for the implementation of appropriate measures for dealing with and managing these risks.

The Company is exposed to various financial instrument related risks. The following are the types of risk exposures and methods of managing these risks.

Credit risk:

Credit risk arises from the potential that a customer or counterparty will fail to meets its contractual obligations. The Company is exposed to credit risk from its customers on its trade receivables. The company is also exposed to credit risk relating to forward currency exchange contracts which it manages by dealing with Royal Bank of Canada, the largest Canadian bank. The maximum exposure to credit risk is represented by the carrying amount of its receivables, net of unbilled revenue, and the balance of the foreign exchange contracts at August 31, 2008. The balance of foreign currency exchange contracts is $4.8 million U.S. Dollars at August 31, 2008. The breakdown of the receivables balance is illustrated below:

	August 31, 2008	November 30, 2007
Trade Receivables	**$ 9,686,904**	$ 8,338,762
Unbilled Revenue	**4,450,669**	1,914,138
Other	**861,093**	398,060
	$ 14,998,666	$ 10,650,960

Accounts receivable is comprised of both trade and non-trade accounts. An allowance for doubtful accounts is established when there is a reasonable expectation that the company will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the trade accounts receivable is reduced through the use of an allowance account, and the amount of any change in the allowance is recognized in the income statement. When a trade receivable is determined to be uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement. In the past 5 years, bad debts have been nominal.

8. Financial assets and liabilities - *continued*

Accounts receivable include amounts due from customers in both the government and private industry sectors which exposes the Company to risk of nonpayment. Government accounts are considered secure and are normally not subjected to extensive credit reviews. Industry accounts are subjected to internal credit review in order to minimize risk of non-payment. Export sales to non-government customers, not otherwise secured by Letter of Credit, are generally insured to the extent of 90% of the invoiced amount.

Currency fluctuation risk:

Foreign currency risk arises because of fluctuations in exchange rates. The majority of the Company's sales are denominated in U.S. dollars and Euros, while the majority of its costs are denominated in Canadian dollars. Fluctuations in the value of the U.S. dollar and the Euro compared to the Canadian dollar can affect earnings and cash flow.

Approximately 70% of the Company’s sales are denominated in U.S. dollars. During the first nine months of 2008 the Canadian dollar had strengthened against the U.S. dollar by approximately 10% compared to the first nine months of 2007. This resulted in a decrease in the Canadian dollar value of the Company’s U.S. dollar denominated sales of approximately $1.8 million during the first nine months of 2008. This impact is offset by about 50% as a result of the corresponding lower value of U.S. dollar denominated expenses.

From time to time the Company enters into forward foreign exchange contracts to sell U.S. dollars or Euros to hedge its net accounts receivable denominated in these foreign currencies. The term of these forward contracts is of a short term nature with the objective of matching the expected payments from customers.

The Company also has exposure to other currencies including the Indian Rupee, Chilean Peso, Brazilian Real and Chinese Yuan primarily as a result of its subsidiary operations in those countries. The Company's investments in these subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. Fluctuations in interest rates impact the future cash flows and fair values of various financial instruments. The Company is exposed to fluctuations in interest rates. The Company manages this risk by ensuring that a portion of its borrowings are on a fixed rate basis. At August 31, 2008 approximately 33% of borrowings are on a fixed rate basis. The Company’s cash flow is exposed to interest fluctuations due to its variable interest rate instruments. As at August 31, 2008, a 1% increase or decrease in interest rates, with all other variables held constant, would have resulted in an increase or decrease of $18,171 to the Company’s net earnings for the three month period then ended and a $54,513 increase or decrease to the Company’s net earnings for the nine month period then ended. The Company does not use derivative financial instruments to mitigate interest rate risk.

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they become due. The Company facilitates this in part by maintaining a line of credit in the amount of $8.5 million with Royal Bank of Canada. At August 31, 2008 the remaining amount available to be drawn under this credit facility is approximately $1.1 million. The company plans to negotiate an increase in the amount of its credit facility in the fourth quarter of 2008.

The table below presents a maturity analysis of the Company’s financial liabilities based on the expected cash flows from the date of the balance sheet to the contractual maturity date. The amounts represent the contractual undiscounted cash flows.

8. Financial assets and liabilities - *continued*

	Carrying Amount of Liability at August 31, 2008	Contractual Cash Flows Including Interest	< 1 year	1 to 3 years	3 to 5 years	Over 5 years
Short-term loans *	$ 7,384,065	$ 7,775,420	$ 7,775,420			
Accounts payable and accrued liabilities	$ 6,367,924	$ 6,367,924	$ 6,367,924			
Long-term debt	$ 8,896,186	$ 9,868,931	$ 5,537,794	$ 1,427,384	$ 501,754	$ 2,401,999

* Assumes balance is outstanding for 365 days.

9. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and, to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt. The Company considers the items included in the consolidated statement of shareholders' equity as capital.

Under the terms of its credit facilities with Royal Bank of Canada, the Company cannot exceed a maximum ratio of total liabilities to tangible net worth. At August 31, 2008 the Company is not in compliance with this covenant.

10. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

11. Restatement of interim consolidated financial statements

In the course of preparing its consolidated financial statements for the fourth quarter of 2008, the Company discovered an error in its reporting of currency gains on translation of its investment in XPCT. These gains were previously included in equity earnings reported for XPCT whereas the correct treatment is to report these translation gains as other comprehensive income in shareholders’ equity. Errors were also identified in the underlying accounting records of XPCT affecting the purchase equation (note 3) and the operating results for this entity and in the recognition of certain expenses. The result of the correction to the previous consolidated financial statements has reduced net earnings. These adjustments did not impact net operating, financing or investing cash flows for the period.

11. Restatement of interim consolidated financial statements - *continued*

Below is a summary of the line items in the consolidated financial statements affected by the correction:

	Previously reported	**Adjustments**	**As Restated**
As at August 31, 2008			
Consolidated Balance Sheet			
Accounts receivable	$ 15,433,909	$ (435,243)	$ 14,998,666
Property, plant and equipment	7,152,323	84,750	7,237,073
Equity investments	5,030,038	186,763	5,216,801
Future income taxes	324,000	(122,635)	201,365
Retained earnings	4,886,418	(722,431)	4,163,987
Accumulated other comprehensive income (loss)	(120,792)	681,336	560,544
Three months ended August 31, 2008			
Consolidated Statement of Earnings (Loss)			
Cost of sales	$ (7,306,733)	$ 98,500	$ (7,208,233)
Research and development	(166,956)	(98,500)	(265,456)
Amortization	(299,459)	28,250	(271,209)
Equity earnings (loss)	297,000	(340,295)	(43,295)
Future income taxes	39,860	(9,900)	29,960
Net earnings	510,222	(321,945)	188,277
Earnings per share (basic and diluted)	0.03	(0.02)	0.01
Nine months ended August 31, 2008			
Consolidated Statement of Earnings (Loss)			
Cost of sales	$(18,255,907)	$ (336,743)	$(18,592,650)
Research and development	(492,269)	(98,500)	(590,769)
Amortization	(905,964)	84,750	(821,214)
Equity earnings (loss)	312,000	(494,573)	(182,573)
Future income taxes	158,860	122,635	281,495
Net earnings (loss)	180,715	(722,431)	(541,716)
Earnings (loss) per share (basic and diluted)	0.01	(0.05)	(0.04)