

INTERNATIONAL ROAD DYNAMICS INC.

Notice of No Auditor Review of Interim Consolidated Financial Statements

Period Ended February 28, 2010

The accompanying unaudited 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 15, 2010

[Signed]
Terry Bergan
Chief Executive Officer

[Signed]
Mel Karakochuk
Chief Financial Officer

INTERNATIONAL ROAD DYNAMICS INC.
Interim and Annual Consolidated Balance Sheets
February 28, 2010 with comparative figures for November 30, 2009

	2010 Unaudited	2009 Audited
Assets		
Current assets:		
Cash	\$ 1,166,110	\$ 1,160,127
Accounts receivable	11,531,683	13,644,445
Unbilled revenue	3,962,003	3,881,773
Inventory (note 3)	7,371,384	6,372,901
Prepaid expenses and deposits	544,221	471,961
	<u>24,575,401</u>	<u>25,531,207</u>
Investment tax credits recoverable	3,673,447	3,608,747
Future income taxes	462,000	353,000
Property, plant and equipment	6,341,284	6,495,847
Intangible assets	69,371	87,950
Equity investments (note 4)	5,029,094	5,093,970
	<u>\$ 40,150,597</u>	<u>\$ 41,170,721</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term loans	\$ 6,396,684	\$ 5,341,797
Accounts payable and accrued liabilities	5,558,936	6,477,537
Income taxes payable	44,123	244,283
Deferred revenue	2,501,945	2,882,594
Current portion of long-term debt (note 5)	2,153,000	2,343,000
	<u>16,654,688</u>	<u>17,289,211</u>
Deferred revenue	277,744	105,227
Long-term debt (note 5)	5,102,401	5,328,079
	<u>22,034,833</u>	<u>22,722,517</u>
Shareholders' equity:		
Share capital (note 6)	12,071,009	12,071,009
Contributed surplus	228,743	222,795
Retained earnings	5,468,832	5,649,677
Accumulated other comprehensive income	347,180	504,723
	<u>18,115,764</u>	<u>18,448,204</u>
	<u>\$ 40,150,597</u>	<u>\$ 41,170,721</u>

See accompanying notes to consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.
Interim Consolidated Statements of Earnings (Loss)
Unaudited

	Three months ended February 28	
	2010	2009
Sales	\$ 8,534,129	\$ 11,002,314
Cost of sales	6,128,682	7,459,678
	2,405,447	3,542,636
Administrative and marketing expenses	2,110,584	2,238,273
	294,863	1,304,363
Research and development (net)	111,127	141,956
Earnings before other expenses (income)	183,736	1,162,407
Other expenses (income)		
Foreign exchange loss (gain)	(56,863)	212,445
Amortization	200,569	253,374
Interest on short-term debt	56,635	101,959
Interest on long-term debt	115,601	114,849
Other expenses (income)	(9,903)	18,799
Equity loss (note 4)	114,861	114,796
	420,900	816,222
Earnings (loss) before income taxes	(237,164)	346,185
Provision for (recovery of) income taxes		
Current	52,681	213,782
Future	(109,000)	(114,822)
	(56,319)	98,960
Net earnings (loss) for the period	\$ (180,845)	\$ 247,225
Earnings (loss) per share		
Basic	\$ (0.01)	\$ 0.02
Diluted	\$ (0.01)	\$ 0.02

Interim Consolidated Statements of Comprehensive Income (loss)
Unaudited

	Three months ended February 28	
	2010	2009
Net earnings (loss)	\$ (180,845)	\$ 247,225
Other comprehensive income (loss)		
Unrealized foreign currency translation gains (losses)	(157,543)	327,813
Total comprehensive income (loss)	\$ (338,388)	\$ 575,038

See accompanying notes to consolidated financial statements.

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

	Three months ended February 28	
	2010	2009
Share capital (note 6):		
Balance, beginning of period	\$ 12,071,009	\$ 12,060,115
Shares issued for expenses	-	10,894
Balance, end of period	\$ 12,071,009	\$ 12,071,009
Contributed surplus:		
Balance, beginning of period	\$ 222,795	\$ 186,707
Stock based compensation	5,948	4,721
Balance, end of period	\$ 228,743	\$ 191,428
Retained earnings:		
Balance, beginning of period	\$ 5,649,677	\$ 4,164,980
Retrospective change in accounting for inventory (note 3)	-	219,464
Balance, beginning of period restated	\$ 5,649,677	\$ 4,384,444
Net earnings (loss)	(180,845)	247,225
Balance, end of period	\$ 5,468,832	\$ 4,631,669
Accumulated other comprehensive income:		
Balance, beginning of period	\$ 504,723	\$ 1,249,871
Other comprehensive income (loss)	(157,543)	327,813
Balance, end of period	\$ 347,180	\$ 1,577,684
Total retained earnings and accumulated other comprehensive income	\$ 5,816,012	\$ 6,209,353
Total shareholders' equity	\$ 18,115,764	\$ 18,471,790

Accumulated other comprehensive income is comprised solely of net unrealized foreign currency translation gains.

See accompanying notes to consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.
Interim Consolidated Statements of Cash Flows
Unaudited

	Three months ended February 28	
	2010	2009
Cash provided by (used in):		
Operations:		
Net earnings (loss)	\$ (180,845)	\$ 247,225
Items not involving cash:		
Amortization	200,569	253,374
Common shares issued for expenses	-	10,894
Stock-based compensation	5,948	4,721
Loss from equity investments	114,861	114,796
Recovery of future income taxes	(109,000)	(114,822)
Investment tax credits recoverable	(64,700)	(65,481)
Deferred revenue	(208,132)	(827,851)
Other operating items (note 8)	(332,299)	1,331,139
	<u>(573,598)</u>	<u>953,995</u>
Financing:		
Short-term loans	1,054,887	(601,928)
Repayment of long-term debt	(415,678)	(150,526)
	<u>639,209</u>	<u>(752,454)</u>
Investing:		
Additions to property, plant and equipment	(59,628)	(198,955)
	<u>(59,628)</u>	<u>(198,955)</u>
Increase (decrease) in cash	5,983	2,586
Cash, beginning of period	1,160,127	449,863
Cash, end of period	<u>\$ 1,166,110</u>	<u>\$ 452,449</u>
Supplemental cash flow disclosure:		
Interest paid	\$ 154,736	\$ 199,308
Income taxes paid	<u>\$ 252,841</u>	<u>\$ 112,811</u>

See accompanying notes to 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, 2009, except as outlined in note 2.

The consolidated balance sheet as at February 28, 2010, and the consolidated statements of earnings (loss), comprehensive income, shareholders' equity, and cash flows for the three 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:

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.

Business Combinations – CICA 1582; *Consolidated Financial Statements and Non-Controlling Interest* – CICA 1601 and 1602

The Accounting Standards Board has issued a series of new standards, CICA 1582, *Business Combinations*, CICA 1601, *Consolidated Financial Statements*, and CICA 1602, *Non-Controlling Interests* with the objective of harmonizing Canadian accounting for business combinations with US and international standards. These standards need to be implemented concurrently and become effective December 1, 2011. In the event of a business combination, the Company will assess whether to early adopt the new accounting standards in order to minimize the amount of retroactive application when the Company adopts IFRS.

International Financial Reporting Standards (IFRS)

In February 2008, the CICA Accounting Standards Board announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective for fiscal years beginning on or after January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, differences in accounting policies will have to be addressed.

INTERNATIONAL ROAD DYNAMICS INC.
Notes to Interim Consolidated Financial Statements
Period ended February 28, 2010
Unaudited

3. Inventory:

	February 28 2010	November 30 2009
Raw materials	\$ 872,739	\$ 724,675
Original equipment manufacturer materials	3,134,393	2,797,308
Work in process	2,391,526	2,383,122
Finished goods	1,643,606	1,138,899
Provision for excess and obsolete inventory	(670,880)	(671,103)
	\$ 7,371,384	\$ 6,372,901

During the quarter, inventory expensed within cost of sales was \$2,972,521 (2009 - \$3,939,833). The Company also recorded inventory write downs within cost of sales of \$nil (2009 - \$25,000).

The Company adopted the accounting standard Inventories, CICA 3031 in fiscal 2009 retrospectively without restatement. This resulted in an increase in the carrying value of inventory of \$324,171 and an adjustment of \$219,464 (net of tax of \$104,707) to opening retained earnings.

4. Equity investments:

	Three months ended February 28	
	2010	2009
Xuzhou-PAT Control Technologies Limited:		
Balance - beginning of period	\$ 5,093,970	\$ 5,754,421
Currency gain on financial statement translation	49,985	73,795
Equity loss	(114,861)	(114,796)
Balance - end of period	\$ 5,029,094	\$ 5,713,420

The Company had sales to Xuzhou-PAT Control Technologies Limited of \$371,595 during the quarter (2009 - \$241,200). At February 28, 2010 accounts receivable from Xuzhou-PAT Control Technologies Limited was \$1,106,490 (2009 - \$279,612).

INTERNATIONAL ROAD DYNAMICS INC.
Notes to Interim Consolidated Financial Statements
Period ended February 28, 2010
Unaudited

5. Long Term Debt:

	February 28 2010	November 30 2009
Royal Bank of Canada term loan, repayable in monthly instalments of \$78,430 including interest at a fixed rate of 5.65%. Due December 31, 2013	\$ 3,235,818	\$ 3,423,737
Royal Bank of Canada mortgage repayable in monthly instalments of \$20,906 including interest at a fixed rate of 6.144%. Due December 1, 2013	2,736,862	2,757,945
Royal Bank of Canada term loan repayable in monthly instalments of \$71,181 including interest at a fixed rate of 6.53%. Due June 30, 2010	282,721	489,397
Vendor loan to finance the acquisition of XPCT, with interest payable at 7% per annum. Due December 12, 2008 - \$750,000 and December 12, 2009 - \$250,000	1,000,000	1,000,000
	7,255,401	7,671,079
Less current portion	2,153,000	2,343,000
	\$ 5,102,401	\$ 5,328,079

The Company's mortgage of \$2.737 million due December 2013 is secured by a first charge on the Company's land and building in Canada and a general security agreement on all the assets of the Company in Canada and the United States. The carrying amounts of the land and building are \$3.672 million and \$35.127 million for the assets of the Company in Canada and the United States. The Company's short-term loans, demand facility and term loan with the Royal Bank of Canada are also secured by a general security agreement on the assets of the Company held in Canada and the United States.

Under the terms and conditions of its credit facilities with Royal Bank of Canada the Company is subject to certain covenants. At February 28, 2010 the Company is in compliance with these covenants and also expects to be in compliance over the next twelve months.

The payments due December 12, 2008 and 2009 with respect to the Vendor loan are currently in dispute and the outcome is not determinable at this time.

The following represents the aggregate principal payments over the next five years based on the current debt arrangements:

Due within 1 year	\$ 2,153,000
Due between 1 and 2 years	922,000
Due between 2 and 3 years	976,000
Due between 3 and 4 years	3,204,401
	\$ 7,255,401

INTERNATIONAL ROAD DYNAMICS INC.
Notes to Interim Consolidated Financial Statements
Period ended February 28, 2010
Unaudited

6. Share capital:

	Number of shares	Amount
Balance, November 30, 2009	13,998,337	\$ 12,071,009
Shares issued in exchange for expenses	-	-
Balance, February 28, 2010	13,998,337	\$ 12,071,009

There are currently 1,025,000 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 February 28, 2010, 1,105,665 (2009 – 1,115,665) 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, 2009	1,025,000	\$1.24
Options granted during the period	-	n/a
Options cancelled or expired during the period	-	n/a
Outstanding, February 28, 2010	1,025,000	\$1.24

At February 28, 2010, the following stock options to officers, employees and others were outstanding:

Exercise Price	Number Outstanding at February 28, 2010	Weighted-average Remaining Contractual Life (years)	Number Exercisable at February 28, 2010
\$1.20	600,000	8.37	550,000
\$1.26	45,000	1.75	45,000
\$1.29	155,000	3.17	51,667
\$1.32	225,000	1.93	225,000
	1,025,000	5.88	871,667

INTERNATIONAL ROAD DYNAMICS INC.
Notes to Interim Consolidated Financial Statements
Period ended February 28, 2010
Unaudited

7. 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 February 28	
	2010	2009
Canada	\$ 1,449,058	\$ 1,237,182
United States	3,910,729	5,448,867
Offshore	3,174,342	4,316,265
	\$ 8,534,129	\$ 11,002,314

8. Statement of cash flows:

Other operating items	Three months ended February 28	
	2010	2009
Accounts receivable	\$ 1,905,234	\$ 424,371
Unbilled revenue	(80,230)	1,299,331
Income taxes receivable	-	100,971
Inventory	(966,282)	(449,618)
Prepaid expenses and deposits	(72,260)	104,307
Accounts payable and accrued liabilities	(918,601)	(148,223)
Income taxes payable	(200,160)	-
	\$ (332,299)	\$ 1,331,139

9. Financial assets and liabilities:

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 principal risks and the measures for managing these risks are as discussed in the audited annual financial statements as of November 30, 2009 and there have been no changes in these risks and the methods of managing these risks.

The Company hedges a portion of its future U.S. dollar cash flow. At February 28, 2010 the Company had in place \$3.4 million USD in forward currency contracts at an average exchange rate of \$1.0559 Canadian per U.S. dollar with a nominal gain on these contracts based on the actual exchange rate at February 28, 2010 of \$1.0523 Canadian per U.S. dollar. Gains and losses on all foreign exchange contracts are recognized in earnings at the end of each reporting period.

10. 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.

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.

11. Comparative figures:

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