

INTERNATIONAL ROAD DYNAMICS INC.

Notice of No Auditor Review of Interim Consolidated Financial Statements
Period Ended February 28, 2009

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.

May 6, 2009

[Signed]
Terry Bergan
Chief Executive Officer

[Signed]
Mel Karakochuk
Chief Financial Officer

INTERNATIONAL ROAD DYNAMICS INC.

Interim and Annual Consolidated Balance Sheets

February 28, 2009 with comparative figures for November 30, 2008

	2009 "Unaudited"	2008 Audited
Assets		
Current assets:		
Cash	\$ 452,449	\$ 449,863
Accounts receivable	10,722,191	10,892,544
Unbilled revenue	5,131,602	6,430,933
Income taxes receivable	33,349	134,320
Inventory	7,693,934	6,920,145
Prepaid expenses and deposits	605,078	709,385
	24,638,603	25,537,190
Investment tax credits recoverable	4,698,482	4,633,001
Property, plant and equipment	6,884,808	6,919,540
Intangible assets	143,565	163,252
Equity investments (note 3)	5,713,420	5,754,421
	\$42,078,878	\$43,007,404
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term loans	\$ 6,725,780	\$ 7,327,708
Accounts payable and accrued liabilities	5,143,130	5,291,353
Deferred revenue	1,953,687	2,695,695
Current portion of long-term debt (note 4)	5,473,000	5,189,000
Future income taxes	872,885	883,000
	20,168,482	21,386,756
Deferred revenue	300,393	386,236
Long-term debt (note 4)	3,062,213	3,496,739
Future income taxes	76,000	76,000
	23,607,088	25,345,731
Shareholders' equity:		
Share capital (note 5)	12,071,009	12,060,115
Contributed surplus	191,428	186,707
Retained earnings	4,631,669	4,164,980
Accumulated other comprehensive income	1,577,684	1,249,871
	18,471,790	17,661,673
	\$42,078,878	\$43,007,404

See accompanying notes to consolidated financial statements.

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

	Three months ended February 28 & 29	
	2009	2008
Sales	\$ 11,002,314	\$ 6,932,067
Cost of sales	7,459,678	4,718,917
	3,542,636	2,213,150
Administrative and marketing expenses	2,238,273	1,934,794
	1,304,363	278,356
Research and development (net)	141,956	140,823
Earnings before other expenses (income)	1,162,407	137,533
Other expenses (income)		
Foreign exchange loss	212,445	58,148
Amortization	253,374	276,551
Interest on short-term debt	101,959	115,774
Interest on long-term debt	114,849	143,198
Other expenses (income)	18,799	(71,462)
Equity loss (note 3)	114,796	8,099
	816,222	530,308
Earnings (loss) before income taxes	346,185	(392,775)
Provision for (recovery of) income taxes		
Current	213,782	(49,601)
Future	(114,822)	(112,300)
	98,960	(161,901)
Net earnings (loss) for the period	247,225	(230,874)
Earnings (loss) per share		
Basic	\$ 0.02	\$ (0.02)
Diluted	\$ 0.02	\$ (0.02)

Interim Consolidated Statements of Comprehensive Income (loss)
"Unaudited"

	Three months ended February 28 & 29	
	2009	2008
Net earnings (loss)	\$ 247,225	\$ (230,874)
Other comprehensive income		
Unrealized foreign currency translation gains	327,813	160,441
Total comprehensive income (loss)	\$ 575,038	\$ (70,433)

See accompanying notes to consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.

Interim Consolidated Statements of Shareholders' Equity

"Unaudited"

	Three months ended February 28 & 29	
	2009	2008
Share capital (note 5):		
Balance, beginning of period	\$ 12,060,115	\$ 12,004,179
Shares issued for expenses	10,894	13,867
Balance, end of period	\$ 12,071,009	\$ 12,018,046
Contributed surplus:		
Balance, beginning of period	\$ 186,707	\$ 149,168
Stock based compensation	4,721	7,902
Balance, end of period	\$ 191,428	\$ 157,070
Retained earnings:		
Balance, beginning of period	\$ 4,164,980	\$ 4,705,703
Retrospective change in accounting for inventory (note 2)	219,464	-
Balance, beginning of period restated	\$ 4,384,444	\$ 4,705,703
Net earnings (loss)	247,225	(230,874)
Balance, end of period	\$ 4,631,669	\$ 4,474,829
Accumulated other comprehensive income (loss):		
Balance, beginning of period	\$ 1,249,871	\$ (104,623)
Other comprehensive income	327,813	160,441
Balance, end of period	\$ 1,577,684	\$ 55,818
Total retained earnings and accumulated other comprehensive income	\$ 6,209,353	\$ 4,530,647
Total shareholders' equity	\$ 18,471,790	\$ 16,705,763

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 & 29	
	2009	2008
Cash provided by (used in):		
Operations:		
Net earnings (loss)	\$ 247,225	\$ (230,874)
Items not involving cash:		
Amortization	253,374	276,551
Common shares issued for expenses	10,894	13,867
Stock-based compensation	4,721	7,902
Equity loss	114,796	8,099
Recovery of future income taxes	(114,822)	(112,300)
Investment tax credits recoverable	(65,481)	(122,700)
Deferred revenue	(827,851)	(43,392)
Other operating items (note 7)	1,331,139	82,409
	<u>953,995</u>	<u>(120,438)</u>
Financing:		
Net short-term loans	(601,928)	(215,425)
Proceeds on long-term debt	-	6,402,500
Repayment of long-term debt (net)	(150,526)	(2,867,880)
	<u>(752,454)</u>	<u>3,319,195</u>
Investing:		
Investment in Xuzhou-PAT Control Technologies Limited	-	(3,548,376)
Capital distribution from PAT Traffic Brazil	-	439,026
Additions to property, plant and equipment	(198,955)	(271,129)
Additions to intangible assets	-	(5,343)
	<u>(198,955)</u>	<u>(3,385,822)</u>
Increase (decrease) in cash	2,586	(187,065)
Cash, beginning of period	449,863	1,028,465
Cash, end of period	<u>\$ 452,449</u>	<u>\$ 841,400</u>
Supplemental cash flow disclosure:		
Interest paid	\$ 199,308	\$ 229,322
Income taxes paid	\$ 112,811	\$ 117,274

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, 2008, except as outlined in note 2.

The consolidated balance sheet as at February 28, 2009, and the consolidated statements of earnings (loss), comprehensive income, shareholders' equity, and cash flow 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

On December 1, 2008, the Company adopted accounting policies required under newly issued accounting standards by the Canadian Institute of Chartered Accountants. The following provides a summary of the new standards applicable to the Company. On transition there was no impact to the Company except as described below.

Inventories - CICA 3031

This 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.

The Company adopted the new inventory requirements retrospectively without restatement. It reassessed the method whereby it was allocating costs of labor and overhead resulting 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. The impact of this change in methodology on net earnings reported in the first quarter of 2009 is nominal.

Goodwill and Intangible Assets – CICA 3064

This standard introduces guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. Adoption of this standard has no impact on amounts included in the financial statements.

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

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. The Company is currently assessing the impact of this announcement on its financial statements. IFRS will be effective for the Company's financial statements for the fiscal year ending November 30, 2012.

INTERNATIONAL ROAD DYNAMICS INC.
Notes to Interim Consolidated Financial Statements
Period ended February 28, 2009
"Unaudited"

3. Equity investments

	Three months ended February 28 & 29	
	2009	2008
PAT Traffic Brazil:		
Balance - beginning of period	\$ -	\$ 608,688
Equity earnings	-	22,000
Distributions	-	(439,026)
Balance - end of period	-	191,662
Xuzhou-PAT Control Technologies Limited:		
Balance - beginning of period	\$ 5,754,421	\$ -
Net assets acquired including acquisition costs of \$48,376	-	4,548,376
Currency gain on financial statement translation	73,795	99,016
Equity loss	(114,796)	(30,099)
Balance - end of period	5,713,420	4,617,293
Total equity investments	\$ 5,713,420	\$ 4,808,955

INTERNATIONAL ROAD DYNAMICS INC.
Notes to Interim Consolidated Financial Statements
Period ended February 28, 2009
"Unaudited"

4. Long Term Debt

	2009	2008
Royal Bank of Canada non-revolving demand facility for an amount up to \$3,500,000 to finance the acquisition of XPCT with interest payable monthly at Royal Bank of Canada prime rate plus 2%. Monthly principal repayments begin September 30, 2009 and continue for a maximum term to December 2013. This loan can be converted to a fixed interest rate term loan after August 31, 2009.	\$ 3,500,000	\$ 3,500,000
Royal Bank of Canada mortgage repayable in monthly installments of \$20,906 including interest at a fixed rate of 6.144%. Due December 1, 2013	2,819,019	2,838,739
Royal Bank of Canada term loan repayable in monthly installments of \$71,181 including interest at a fixed rate of 6.53%. Due July 30, 2010	1,154,381	1,347,000
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
GE Capital loan repayable in monthly installments of \$1,055 including interest at a fixed rate of 4% due November 6, 2012	61,813	
	8,535,213	8,685,739
Less current portion	5,473,000	5,189,000
	\$ 3,062,213	\$ 3,496,739

The Company's mortgage of \$2.819 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 \$3.850 million and \$38.307 million for all the assets of the Company. 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.

The payment due December 12, 2008 with respect to the Vendor loan is 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	\$	5,474,000
Due between 1 and 2 years		385,000
Due between 2 and 3 years		107,000
Due between 3 and 4 years		109,813
Due between 4 and 5 years		104,000
Thereafter		2,355,400
	\$	8,535,213

INTERNATIONAL ROAD DYNAMICS INC.
Notes to Interim Consolidated Financial Statements
Period ended February 28, 2009
"Unaudited"

5. Share capital

	Number of shares	\$ Amount
Balance, November 30, 2008	13,977,388	12,060,115
Shares issued in exchange for expenses	20,949	10,893
Balance, February 28, 2009	<u>13,998,337</u>	<u>12,071,009</u>

There are currently 1,015,000 stock options outstanding; each of which may be exercised to purchase one common share of the Company at prices ranging from \$1.20 to \$1.28 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, 2009, 1,115,665 (2008 – 936,165) 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, 2008	1,312,000	\$1.28
Options granted during the period	525,000	\$1.20
Options cancelled or expired during the period	(822,000)	\$1.27
Outstanding, February 28, 2009	<u>1,015,000</u>	<u>\$1.25</u>

At February 28, 2009, the following stock options to officers, employees and others were outstanding:

Exercise Price	Number Outstanding at February 28, 2009	Weighted-average Remaining Contractual Life (years)	Number Exercisable at February 28, 2009
\$1.20	525,000	10.01	-
\$1.26	75,000	2.75	50,000
\$1.29	185,000	4.17	-
\$1.32	230,000	2.93	153,333
	<u>1,015,000</u>	<u>6.80</u>	<u>203,333</u>

INTERNATIONAL ROAD DYNAMICS INC.
Notes to Interim Consolidated Financial Statements
Period ended February 28, 2009
"Unaudited"

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.

	Three months ended February 28 & 29	
	2009	2008
Canada	\$ 1,237,182	\$ 931,169
United States	5,448,867	3,848,108
Offshore	4,316,265	2,152,790
	\$ 11,002,314	\$ 6,932,067

7. Statement of cash flows

Other operating items

	Three months ended Feb 28 & 29	
	2009	2008
Accounts receivable	\$ 424,371	\$ 2,575,983
Unbilled revenue	1,299,331	(468,467)
Income taxes receivable	100,971	(95,615)
Inventory	(449,618)	(745,510)
Prepaid expenses and deposits	104,307	(252,943)
Accounts payable and accrued liabilities	(148,223)	(859,779)
Income taxes payable	-	(71,260)
	\$ 1,331,139	\$ 82,409

8. 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, 2008.

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 is required to meet certain covenants. These covenants require that the Company maintain a certain minimum level of fixed charge coverage measured on an annual basis and not exceed a certain maximum ratio of total liabilities to tangible net worth, and that it maintains a minimum amount of earnings before interest, taxes, depreciation and amortization (EBITDA) on a quarterly basis. At February 28, 2009 the Company is in compliance with these covenants.