INTERNATIONAL ROAD DYNAMICS INC.
Notice of No Auditor Review of Interim Consolidated Financial Statements
Period Ended February 28, 2011

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 12, 2011

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

INTERNATIONAL ROAD DYNAMICS INC.
Interim and Annual Consolidated Balance Sheets
February 28, 2011 with comparative figures for November 30, 2010

	2011 Unaudited	2010 Audited
Assets		
Current assets:		
Cash	$ 257,485	$ 667,724
Accounts receivable	9,880,152	11,079,295
Unbilled revenue	4,043,457	4,025,218
Income taxes receivable	463,176	347,442
Inventory (note 3)	7,227,577	7,187,770
Prepaid expenses and deposits	790,229	601,811
	22,662,076	23,909,260
Investment tax credits recoverable	3,301,753	3,267,486
Future income taxes	826,971	738,000
Property, plant and equipment	5,958,163	6,131,705
Intangible assets	19,724	19,725
Equity investment (note 4)	4,450,193	5,118,780
	$ 37,218,880	$ 39,184,956
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term loans (note 5)	$ 7,300,268	$ 5,732,459
Accounts payable and accrued liabilities	4,774,436	5,360,417
Deferred revenue	1,808,922	2,500,007
Current portion of long-term debt (note 6)	5,106,744	6,328,234
	18,990,370	19,921,117
Deferred revenue	475,655	535,404
	19,466,025	20,456,521
Shareholders' equity:		
Share capital (note 7)	12,071,009	12,071,009
Contributed surplus	250,469	246,587
Retained earnings	5,433,066	6,099,579
Accumulated other comprehensive income (loss)	(1,689)	311,260
	17,752,855	18,728,435
	$ 37,218,880	$ 39,184,956

Subsequent event (note 11)

See accompanying notes to interim consolidated financial statements.

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

	Three months ended February 28 2011	2010
Sales	$ 8,916,323	$ 8,534,129
Cost of sales	6,631,608	6,128,682
	2,284,715	2,405,447
Administrative and marketing expenses	2,290,340	2,110,584
	(5,625)	294,863
Research and development (net)	260,787	111,127
Earnings (loss) before other expenses (income)	(266,412)	183,736
Other expenses (income)		
Foreign exchange loss (gain)	49,530	(56,863)
Amortization	179,760	200,569
Interest on short-term debt	73,667	56,635
Interest on long-term debt	93,701	115,601
Other income	(2,451)	(9,903)
XPCT (note 4)	59,758	114,861
	453,965	420,900
Loss before income taxes	(720,377)	(237,164)
Provision for (recovery of) income taxes		
Current	35,107	52,681
Future	(88,971)	(109,000)
	(53,864)	(56,319)
Net loss for the period	$ (666,513)	$ (180,845)
Loss per share		
Basic	$ (0.05)	$ (0.01)
Diluted	$ (0.05)	$ (0.01)

Interim Consolidated Statements of Comprehensive Loss

	Three months ended February 28 2011	2010
Net loss	$ (666,513)	$ (180,845)
Other comprehensive loss		
Unrealized foreign currency translation loss	(312,949)	(157,543)
Total comprehensive loss	$ (979,462)	$ (338,388)

See accompanying notes to interim consolidated financial statements.

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

	Three months ended February 28	
	2011	2010
Share capital (note 7):		
Balance, beginning and end of period	$ 12,071,009	$ 12,071,009
Contributed surplus:		
Balance, beginning of period	$ 246,587	$ 222,795
Fair value of stock options granted	3,882	5,948
Balance, end of period	$ 250,469	$ 228,743
Retained earnings:		
Balance, beginning of period	$ 6,099,579	$ 5,649,677
Net loss	(666,513)	(180,845)
Balance, end of period	$ 5,433,066	$ 5,468,832
Accumulated other comprehensive income (loss):		
Balance, beginning of period	$ 311,260	$ 504,723
Other comprehensive loss	(312,949)	(157,543)
Balance, end of period	$ (1,689)	$ 347,180
Total retained earnings and accumulated other comprehensive income	$ 5,431,377	$ 5,816,012
Total shareholders' equity	$ 17,752,855	$ 18,115,764

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

See accompanying notes to interim consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.

Interim Consolidated Statements of Cash Flows

Unaudited

	Three months ended February 28 2011	2010
Cash provided by (used in):		
Operations:		
Net loss	$ (666,513)	$ (180,845)
Items not involving cash:		
Amortization	179,760	200,569
Fair value of stock options granted	3,882	5,948
XPCT	59,758	114,861
Future income taxes recoverable	(88,971)	(109,000)
Investment tax credits recoverable	(34,267)	(64,700)
Deferred revenue	(750,834)	(208,132)
Other operating items (note 9)	283,010	(332,299)
	(1,014,175)	(573,598)
Financing:		
Net short-term loans	1,567,809	1,054,887
Repayment of long-term debt	(921,490)	(415,678)
	646,319	639,209
Investing:		
Net additions to property, plant and equipment	(42,383)	(59,628)
	(42,383)	(59,628)
Increase (decrease) in cash	(410,239)	5,983
Cash, beginning of period	667,724	1,160,127
Cash, end of period	$ 257,485	$ 1,166,110
Supplemental cash flow disclosure:		
Interest paid	$ 167,368	$ 154,736
Income taxes paid	$ 120,607	$ 252,841

See accompanying notes to interim consolidated financial statements.

1. Significant accounting policies:

These interim consolidated 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 consolidated financial statements for the year ended November 30, 2010.

The interim consolidated balance sheet as at February 28, 2011, and the interim consolidated statements of earnings (loss), comprehensive loss, 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 consolidated 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.

3. Inventory:

		February 28 2011		November 30 2010
Raw materials	$	708,325	$	673,285
Original equipment manufacturer materials		4,074,134		4,146,991
Work in process		1,773,669		1,651,166
Finished goods		1,266,052		1,312,493
Provision for excess and obsolete inventory		(594,603)		(596,165)
	$	7,227,577	$	7,187,770

During the quarter, inventory expensed within cost of sales was $4,310,106 (2010 - $2,972,521). The Company did not record any inventory write downs within cost of sales during the quarters ended February 28, 2011 and February 28, 2010.

4. Equity investment:

		Three Months Ended February 28		
		2011		2010
Xuzhou-PAT Control Technologies Limited:				
Balance - beginning of period	$	5,118,780	$	5,093,970
Currency gain (loss) on financial statement translation		(88,829)		49,985
Equity loss		(579,758)		(114,861)
Balance - end of period	$	4,450,193	$	5,029,094

The Company had sales to Xuzhou-PAT Control Technologies Limited of $704,800 during the quarter (2010 - $371,595). At February 28, 2011 accounts receivable with normal trade terms from Xuzhou-PAT Control Technologies Limited was $785,598 (2010 - $1,106,490).

		Three Months Ended February 28		
		2011		2010
Other expenses (income) - XPCT:				
Equity loss		579,758		114,861
Gain on settlement of vendor loan (note 6)		(520,000)		-
	$	59,758	$	114,861

The equity loss includes charges of $507,650 for values assigned on acquisition related to receivables and inventory subject to the dispute with the vendor. In conjunction with the settlement of claims against the vendor as described in Note 6, the Company recorded a gain on settlement of the vendor loan in the amount of $520,000.

5. Short-term loans:

	February 28 2011	November 30 2010
Royal Bank of Canada credit facility. Authorized to a maximum of $8.5 million with interest at bank prime plus 1.25%	$ 6,279,433	$ 4,784,117
HDFC Bank Limited credit facility. Authorized to a maximum of 50.0 million Indian Rupees, of which 47.0 million Indian Rupees was drawn at February 28, 2011 with interest at 8.0% and secured by a standby letter of credit issued by Royal Bank of Canada and guaranteed by Export Development Canada	1,020,835	948,342
	$ 7,300,268	$ 5,732,459

6. Long-term debt:

	February 28 2011	November 30 2010
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	$ 2,457,119	$ 2,656,302
Royal Bank of Canada mortgage repayable in monthly instalments of $20,906 including interest at a fixed rate of 6.144%. Due January 1, 2013	2,649,625	2,671,932
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
	5,106,744	6,328,234
Less current portion	5,106,744	6,328,234
	$ -	$ -

The Company's mortgage of $2.650 million due January 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 $3.502 million and of the assets of the Company in Canada and the United States for $32.732 million. The Company's short-term loans 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.

6. Long-term debt – continued:

Under the terms and conditions of its credit facilities with Royal Bank of Canada the Company is subject to certain covenants. These covenants require that the Company maintain a certain minimum level of fixed charge coverage as measured on an annual basis, and that it not exceed a certain maximum ratio of total liabilities to tangible net worth on a quarterly basis. At November 30, 2010, the Company was not in compliance with the annual fixed charge coverage covenant; this constituted an event of default under the terms of the credit facilities, and therefore, amounts owing under the credit facilities with Royal Bank of Canada are included in the current portion of long term debt. Royal Bank of Canada has acknowledged the default and has given the Company until November 30, 2011 to remedy the default. The Company is in compliance with the total liabilities to tangible net worth quarterly covenant at February 28, 2011.

On February 15, 2011, the Company agreed to a settlement of an outstanding dispute with the vendor associated with the XPCT acquisition in December, 2007. Under the settlement arrangement, the Company paid $700,000 of the outstanding vendor loan of $1,000,000 and accrued interest of $220,000 as final settlement of the XPCT purchase price. In addition, the Company has agreed to discontinue various claims against the vendor relating to the acquisition of XPCT.

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

Due within 1 year	$	916,000
Due between 1 and 2 years		3,428,000
Due between 2 and 3 years		762,744
	$	5,106,744

7. Share capital:

	Number of Shares		Amount
Balance, February 28, 2011 and November 30, 2010	13,998,337	$	12,071,009

There are currently 1,000,000 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, 2011, 1,130,665 (2010 – 1,105,665) options remain available to be granted. Stock options become exercisable at dates determined by the Compensation Committee of the Board of Directors.

7. Share capital – continued:

	Number of Common Shares Issuable	Weighted-Average Exercise Price
Outstanding, November 30, 2010	1,020,000	$1.24
Options cancelled or expired during the period	(20,000)	$1.31
Outstanding, February 28, 2011	1,000,000	$1.24

At February 28, 2011, the following stock options to officers, employees and others were outstanding:

Exercise Price	Number Outstanding at February 28, 2011	Weighted-average Remaining Contractual Life (years)	Number Exercisable at February 28, 2011
$1.20	600,000	7.37	550,000
$1.26	45,000	0.75	45,000
$1.29	145,000	2.17	96,667
$1.32	210,000	0.93	210,000
	1,000,000	4.97	901,667

8. 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 2011	2010
Canada	$ 551,496	$ 1,449,058
United States	3,867,612	3,910,729
Offshore	4,497,215	3,174,342
Total	$ 8,916,323	$ 8,534,129

9. Statement of cash flows:

Other operating items

	Three months ended February 28 2011	2010
Accounts receivable	$ 975,023	$ 1,905,234
Unbilled revenue	(18,239)	(80,230)
Income taxes receivable	(115,734)	-
Inventory	(3,641)	(966,282)
Prepaid expenses and deposits	(188,418)	(72,260)
Accounts payable and accrued liabilities	(365,981)	(918,601)
Income taxes payable	-	(200,160)
	$ 283,010	$ (332,299)

10. 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 consolidated financial statements as of November 30, 2010 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, 2011 the Company had in place $1.8 million USD in forward currency contracts at an average exchange rate of $0.9928 Canadian per U.S. dollar with a nominal gain on these contracts based on the actual exchange rate at February 28, 2011. Gains and losses on all foreign exchange contracts are recognized in earnings at the end of each reporting period.

11. Subsequent Event:

On April 6, 2011, the Company entered into an agreement to sell its head office and manufacturing facility located in Saskatoon, Saskatchewan for a sale price of $6.7 million. The Company has also entered into a twelve-year net lease agreement with the purchaser of the property with options to renew the lease for two additional five-year terms. The Company will record a gain of approximately $2.9 million on the transaction, which will be amortized over the term of the lease. The transaction is expected to close on or before April 15, 2011.