

INTERNATIONAL ROAD DYNAMICS INC.

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements
Period Ended February 28, 2013

The accompanying unaudited interim condensed 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 10, 2013

[Signed]
Terry Bergan
Chief Executive Officer

[Signed]
David Cortens
Chief Financial Officer

INTERNATIONAL ROAD DYNAMICS INC.

Interim Condensed and Annual Consolidated Balance Sheets

Canadian dollars	Note	February 28, 2013 Unaudited	November 30, 2012 Audited
Assets			
Current assets:			
Cash and cash equivalents		\$ 1,692,116	\$ 1,157,498
Accounts receivable		10,999,150	10,945,984
Unbilled revenue		2,471,327	3,739,866
Income taxes receivable		190,179	49,397
Inventories	4	6,103,910	5,913,184
Prepaid expenses and deposits		631,014	643,509
		22,087,696	22,449,438
Property, plant and equipment	5	1,530,867	1,575,860
Investment in XPCT	6	4,542,536	4,875,618
Investment tax credits recoverable		2,882,134	2,837,134
Deferred income tax asset		946,432	827,184
		\$ 31,989,665	\$ 32,565,234
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term loans	7	\$ 5,016,493	\$ 6,575,722
Accounts payable and accrued liabilities		4,997,629	6,138,825
Current portion of deferred revenue		4,583,964	2,731,648
		14,598,086	15,446,195
Deferred revenue		821,448	569,458
Shareholders' equity:			
Share capital	10	12,071,009	12,071,009
Contributed surplus		284,395	281,581
Retained earnings		3,891,898	4,274,898
Accumulated other comprehensive income (loss)		322,829	(77,907)
		16,570,131	16,549,581
		\$ 31,989,665	\$ 32,565,234

See accompanying notes to interim condensed consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.

Interim Condensed Consolidated Statements of Loss

Unaudited

Canadian dollars	Note	Three months ended	
		February 28, 2013	February 29, 2012
Revenue	9,17	\$ 7,808,483	\$ 8,916,244
Cost of goods sold		5,246,879	6,554,597
Gross margin		2,561,604	2,361,647
Administrative and marketing expenses		2,574,296	2,386,278
Research and development, net	11	378,589	241,284
Financing costs, net	14	102,565	280,440
Other income		(41,869)	(13,704)
XPCT loss	6	3,899	73,446
Loss before income taxes		(455,876)	(606,097)
Income tax recovery	8	(72,876)	(93,178)
Net loss		\$ (383,000)	\$ (512,919)
Loss per share	13		
Basic		\$ (0.03)	\$ (0.04)
Diluted		\$ (0.03)	\$ (0.04)

Interim Condensed Consolidated Statements of Comprehensive income (loss)

Unaudited

(\$ Canadian)

	Three months ended	
	February 28, 2013	February 29, 2012
Net loss	\$ (383,000)	\$ (512,919)
Other comprehensive income		
Unrealized foreign currency translation gains	400,736	161,131
Total comprehensive income (loss)	\$ 17,736	\$ (351,788)

See accompanying notes to interim condensed consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

Unaudited

Canadian dollars	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 1, 2011		\$ 12,071,009	\$ 262,900	\$ 4,922,356	\$ (39,109)	\$ 17,217,156
Net loss				(512,919)		(512,919)
Other comprehensive income						
Exchange difference on translation of foreign operations					161,131	161,131
Share-based compensation	10(c)		3,418			3,418
Balance at February 29, 2012		\$ 12,071,009	\$ 266,318	\$ 4,409,437	\$ 122,022	\$ 16,868,786
Balance at December 1, 2012		\$ 12,071,009	\$ 281,581	\$ 4,274,898	\$ (77,907)	\$ 16,549,581
Net loss				(383,000)		(383,000)
Other comprehensive income						
Exchange difference on translation of foreign operations					400,736	400,736
Share-based compensation	10(c)		2,814			2,814
Balance at February 28, 2013		\$ 12,071,009	\$ 284,395	\$ 3,891,898	\$ 322,829	\$ 16,570,131

Accumulated other comprehensive income is comprised solely of exchange differences on translation of foreign operations, net of tax of \$nil.

See accompanying notes to interim condensed consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.

Interim Condensed Consolidated Statements of Cash Flows

Unaudited

Canadian dollars	Note	Three months ended	
		February 28, 2013	February 29, 2012
Cash flows from (used in):			
Operations:			
Net loss		\$ (383,000)	\$ (512,919)
Adjustments for:			
Deferred revenue		2,104,306	546,425
Depreciation expense	12(b)	132,395	175,336
Bad debt expense	14,15	13,625	32,983
Share-based compensation	12(a)	2,814	3,418
XPCT loss	6	3,899	73,446
Interest expense	14	133,122	108,255
Income tax recovery		(72,876)	(93,178)
Income taxes paid		(178,798)	(19,406)
Investment tax credits	11	(45,000)	(56,000)
Other operating items	18	23,710	(202,769)
		1,734,197	55,591
Investing:			
Dividend received from XPCT	6	491,601	-
Additions to property, plant and equipment	5	(65,871)	(102,056)
		425,730	(102,056)
Financing:			
Interest paid	14	(133,122)	(108,255)
Short-term loans		(1,559,229)	325,456
Repayment of long-term debt		-	(221,086)
		(1,692,351)	(3,885)
Increase (decrease) in cash and cash equivalents		467,576	(50,350)
Exchange rate changes on foreign currency cash balances		67,042	53,550
Cash and cash equivalents, balance beginning of period		1,157,498	917,161
Cash and cash equivalents, balance end of period		\$ 1,692,116	\$ 920,361

See accompanying notes to interim condensed consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Condensed Consolidated Financial Statements

Unaudited

For the three month period ended February 28, 2013 and February 29, 2012

Canadian dollars

1. Reporting entity

International Road Dynamics Inc. is incorporated under the *Canada Business Corporations Act*. The address of its registered office is 702 43rd Street East, Saskatoon, Saskatchewan, Canada, S7K 3T9. The interim condensed consolidated financial statements as at and for the period ended February 28, 2013 comprise International Road Dynamics Inc. and its subsidiaries (together the "Company") and the Company's investment in Xuzhou-PAT Control Technologies Limited ("XPCT"). The Company is a highway traffic management technology company specializing in supplying products and integrated systems to the global Intelligent Transportation Systems (ITS) industry. The Company's common shares are traded on the Toronto Stock Exchange under the symbol IRD.

2. Basis of preparation

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and, in particular, IAS 34, *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual consolidated financial statements as at and for the year ended November 30, 2012.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on April 10, 2013.

(b) Basis of presentation

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for derivative instruments at fair value through profit and loss.

The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses and disclosures of contingent assets and liabilities at the dates of the condensed consolidated financial statements. Actual results may vary from these estimates. In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended November 30, 2012.

Estimates, judgments and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Condensed Consolidated Financial Statements

Unaudited

For the three month period ended February 28, 2013 and February 29, 2012

Canadian dollars

2. Basis of preparation – continued:

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim condensed consolidated financial statements are as follows:

(i) Stage of completion of contracted projects

In recording contracted project revenue, the Company makes estimates of the stage of completion of each project by comparing the actual costs incurred to the total estimated costs of the project. Estimates are also involved in accounting for the relative fair values of the components of a project contract that contain a service arrangement. These estimates are subject to change which would impact the timing and amount of revenue recognition.

(ii) Impairments

Significant judgment is required in assessing the carrying values of the Company's assets relative to recoverable amounts. The primary assets subject to impairment assessments include accounts receivable, unbilled revenue, inventory, property, plant and equipment and equity investments. Assessments of recoverability are typically dependent upon cash flow assumptions such as future prices, future costs, sustaining capital requirements and discount rates.

(iii) Deferred taxes and investment tax credits

The Company operates in a number of tax jurisdictions and is, therefore, required to estimate its income taxes in each of these tax jurisdictions in preparing its financial statements. The Company is also engaged in scientific research and development giving rise to investment tax credits that may be available to reduce future taxes payable in certain jurisdictions. In calculating income taxes and investment tax credits consideration is given to factors such as current and future tax rates in the different jurisdictions, non-deductible expenses, qualifying expenditures and changes in tax law. In addition the Company must assess the ability of the Company to realize deferred taxes and investment tax credits reported as assets based on management's expectations of future taxable income in the related jurisdiction.

3. Significant accounting policies:

These interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the Company's most recent annual audited consolidated financial statements for the year ended November 30, 2012.

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Condensed Consolidated Financial Statements

Unaudited

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Canadian dollars

4. Inventories:

	February 28, 2013	November 30, 2012
Raw materials	\$ 390,402	\$ 465,469
Original equipment manufacturer materials	3,181,638	3,123,395
Work in process	1,918,651	1,826,457
Finished goods	613,220	497,863
	\$ 6,103,910	\$ 5,913,184

During the quarter, inventories expensed within cost of goods sold were \$2,855,731 (2012 - \$3,931,956). During the quarter the Company did not record a provision for excess and obsolete inventories within cost of goods sold (2012 - \$50,000).

5. Property, plant and equipment:

	Land and buildings	Office equipment	Manufacturing equipment	Automotive equipment	Computer equipment	Computer software	Total
Cost							
Balance at November 30,							
2012	\$ 166,436	\$ 969,164	\$ 2,803,027	\$ 1,239,416	\$ 2,177,882	\$1,256,596	\$ 8,612,521
Additions	18,553	1,027	991	31,464	13,836	-	65,871
Disposals	-	-	-	-	-	-	-
Effect on movements							
in exchange rates	6,813	743	48,382	23,612	2,503	101	82,154
Balance at							
February 28, 2013	\$ 191,802	\$ 970,934	\$ 2,852,400	\$ 1,294,492	\$ 2,194,221	\$1,256,697	\$ 8,760,546
Accumulated Depreciation							
Balance at November 30,							
2012	\$ 23,924	\$ 894,562	\$ 2,172,915	\$ 762,021	\$ 1,932,291	\$1,250,948	\$ 7,036,661
Additions	557	4,432	72,672	35,382	18,856	1,413	133,312
Disposals	-	-	-	-	-	-	-
Effect on movements							
in exchange rates	13	108	45,213	13,976	318	78	59,706
Balance at							
February 28, 2013	\$ 24,494	\$ 899,102	\$ 2,290,800	\$ 811,379	\$ 1,951,465	\$1,252,439	\$ 7,229,679
Carrying amounts							
At November 30,							
2012	\$ 142,512	\$ 74,602	\$ 630,112	\$ 477,395	\$ 245,591	\$ 5,648	\$ 1,575,860
At February 28,							
2013	\$ 167,308	\$ 71,832	\$ 561,600	\$ 483,113	\$ 242,756	\$ 4,258	\$ 1,530,867

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6. Investment in XPCT:

	February 28, 2013	February 29, 2012	November 30, 2012
Xuzhou-PAT Control Technologies Limited (XPCT)			
Balance, beginning of period	\$ 4,875,618	\$ 4,781,709	\$ 4,781,709
Currency gain (loss) on financial statement translation	162,418	(125,682)	(124,888)
Company's share of loss	(3,899)	(73,446)	378,507
Dividend received	(491,601)	-	(159,710)
Balance - end of period	\$ 4,542,536	\$ 4,582,581	\$ 4,875,618

The Company had sales of \$nil to XPCT during the quarter (2012 - \$352,450). At February 28, 2013 accounts receivable from XPCT were \$1,217 (November 30, 2012 - \$280,517).

7. Short-term loans:

	February 28, 2013	November 30, 2012
Royal Bank of Canada credit facility. Authorized to a maximum of \$8.5 million with interest at bank prime plus 3.5% and secured by a general security agreement.	\$ 4,126,737	\$ 5,705,699
HDFC Bank Limited credit facility. Authorized to a maximum of 46.7 million Indian Rupees (approximately \$890,000), which was fully drawn at February 28, 2013, with interest at 12.5% and secured by a standby letter of credit issued by Royal Bank of Canada and guaranteed by Export Development Canada	889,756	870,023
	\$ 5,016,493	\$ 6,575,722

The Company has no issued letters of credit against the Royal Bank of Canada (RBC) credit facility as of February 28, 2013 and November 30, 2012 for bid and performance guarantees on certain contracts.

The Company has an additional credit facility of \$1.5 million with RBC that is guaranteed by Export Development Canada ("EDC") for the support of performance guarantees provided by the Company's subsidiaries. At February 28, 2013 performance guarantees totaling \$465,320, were outstanding (November 30, 2012 - \$459,362).

See note 15 for a discussion of liquidity risk.

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Condensed Consolidated Financial Statements

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Canadian dollars

8. Income taxes:

Due to uncertainty that sufficient future earnings will be generated in the Company's Indian subsidiary to offset current tax losses prior to their expiry, no provision for income tax recovery has been recorded in this entity. In addition, the effective tax rate can vary from the expected tax rate applied to earnings (loss) before income taxes as a result of different rates of tax on foreign income and the inclusion in earnings (loss) before income taxes of equity earnings or losses and foreign currency translation gains or losses on consolidation of foreign subsidiaries. As a result, the consolidated effective tax rate is not representative of statutory rates effective in the jurisdictions in which the Company operates.

9. Revenue:

	February 28, 2013	February 29, 2012
Contracted projects	\$ 2,797,247	\$ 3,482,607
Service	2,981,407	2,932,730
Product sales	2,029,829	2,500,907
Total	\$ 7,808,483	\$ 8,916,244

10. Share capital:

(a) Authorized:

An unlimited number of common voting shares, without par value.

(b) Share transactions:

	Number of shares	Amount
Balance, November 30, 2012 and February 28, 2013	13,998,337	\$ 12,071,009

(c) Options:

Under the terms of the Company's stock option plan, the Company is authorized to grant 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, 2013, 530,665 (November 30, 2012 – 355,665) 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 Interim Condensed Consolidated Financial Statements

Unaudited

For the three month period ended February 28, 2013 and February 29, 2012

Canadian dollars

10. Share capital (continued):

At February 28, 2013, the following stock options to officers, employees and others were outstanding:

Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at February 28, 2013	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number Exercisable at Feb 28, 2013	Weighted-Average Exercise Price
\$ 0.31	840,000	3.66	\$ 0.31	279,973	\$ 0.31
0.43	100,000	4.70	0.43	-	-
0.44	40,000	4.76	0.44	-	-
1.20	525,000	6.00	1.20	525,000	1.20
1.29	95,000	0.17	1.29	95,000	1.29
	1,600,000	4.20	\$ 0.67	899,973	\$ 0.93

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, 2012	1,775,000	\$ 0.64
Options granted	40,000	0.44
Options forfeited	(215,000)	0.36
Outstanding, February 28, 2013	1,600,000	\$ 0.67

Outstanding options expire between May 1, 2013 and February 28, 2019.

Share-based compensation expense of \$2,814 was recorded for the three months ended February 28, 2013 (2012 - \$3,418) along with a corresponding increase in contributed surplus in shareholders' equity for options vesting during the period.

11. Research and development:

	February 28, 2013	February 29, 2012
Research and development expenditures	\$ 423,589	\$ 297,284
Less grants and investment tax credits	(45,000)	(56,000)
	\$ 378,589	\$ 241,284

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Condensed Consolidated Financial Statements

Unaudited

For the three month period ended February 28, 2013 and February 29, 2012

Canadian dollars

12. Expense classification:

(a) Personnel expenses:

	February 28, 2013	February 29, 2012
Wages and salaries	\$ 2,847,729	\$ 2,693,936
Statutory benefits	181,292	151,317
Other employment benefits	166,636	183,147
Contributions to defined contribution plans	61,138	53,025
Share-based payment transactions	2,814	3,418
	<u>\$ 3,259,609</u>	<u>\$ 3,084,843</u>

Personnel expenses are allocated to cost of goods sold, administrative and marketing expenses and research and development on the basis of the functions performed by employees.

(b) Depreciation expense:

	February 28, 2013	February 29, 2012
Depreciation charge on property, plant and equipment	\$ 133,312	\$ 168,400
Add: Depreciation in opening inventory	16,196	23,097
Less: Depreciation in closing inventory	(17,113)	(16,161)
Depreciation expense	<u>\$ 132,395</u>	<u>\$ 175,336</u>
Depreciation expense is allocated as follows:		
Cost of goods sold	\$ 104,293	\$ 118,110
Administrative and marketing expenses	28,102	57,226
	<u>\$ 132,395</u>	<u>\$ 175,336</u>

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Condensed Consolidated Financial Statements

Unaudited

For the three month period ended February 28, 2013 and February 29, 2012

Canadian dollars

13. Loss per share:

The computations for basic and diluted loss per share are as follows:

	February 28, 2013	February 29, 2012
Net loss	\$ (383,000)	\$ (512,919)
Weighted average number of common shares outstanding:		
Basic	13,998,337	13,998,337
Effect of stock options	-	-
Diluted	13,998,337	13,998,337
Loss per share:		
Basic	\$ (0.03)	\$ (0.04)
Diluted	\$ (0.03)	\$ (0.04)

The Company has stock options outstanding to purchase 1,600,000 common shares at February 28, 2013 (February 29, 2012 – 1,915,000). None of the options available to purchase common shares were included in the computation of diluted loss per share as amounts were anti-dilutive.

14. Financing costs

	February 28, 2013	February 29, 2012
Interest on short-term debt	\$ 133,122	\$ 91,893
Interest on long-term debt	-	16,362
Interest expense	133,122	108,255
Bad debt expense (note 15)	13,625	32,983
Foreign exchange losses (gains)	(44,182)	206,202
Gains on derivatives	-	(67,000)
	\$ 102,565	\$ 280,440

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Condensed Consolidated Financial Statements

Unaudited

For the three month period ended February 28, 2013 and February 29, 2012

Canadian dollars

15. Financial risk:

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, 2012 and there have been no changes in these risks and the methods of managing these risks. The areas of continuing significance to The Company are as follows:

Credit risk:

Credit risk arises from the potential that a customer or counterparty will fail to meet its contractual obligations. The Company is exposed to credit risk from its customers on its trade receivables and unbilled revenue which represent The Company's maximum exposure to credit risk.

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. Accounts ultimately determined to be uncollectible are written off against the allowance.

The movement in the allowance for doubtful accounts is as follows:

	February 28, 2013	February 29, 2012	November 30, 2012
Balance, beginning of year	\$ 1,006,851	\$ 953,842	\$ 953,842
Bad debt expense	13,625	32,983	381,301
Write offs	-		(254,369)
Foreign currency revaluation	50,400	(4,553)	(73,923)
Balance, end of period	\$ 1,070,876	\$ 982,272	\$ 1,006,851

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. Canadian export sales to non-government customers, not otherwise secured by Letters of Credit, are generally insured by EDC to the extent of 90% of the invoiced amount. In addition, EDC provides project performance guarantees which are subject to renewal on May 31, 2013.

Currency fluctuation risk:

Foreign currency risk arises as a result of fluctuations in exchange rates. During the three months ended February 28, 2013 approximately 75% of the Company's sales are denominated in U.S. dollars while the majority of its costs are denominated in Canadian dollars. Fluctuations in the value of the U.S. dollar compared to the Canadian dollar affect earnings and cash flow.

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Condensed Consolidated Financial Statements

Unaudited

For the three month period ended February 28, 2013 and February 29, 2012

Canadian dollars

15. Financial risk - continued:

During the first three months of 2013 the Canadian dollar strengthened against the U.S. dollar by approximately 1.6% compared to the first three months of 2012. This rate differential resulted in a decrease in the Canadian dollar value of the Company's U.S. dollar denominated sales of approximately \$98,000 for the first three months of 2013 as compared to the same period in the prior year. This impact is partially offset by the corresponding lower value of U.S. dollar denominated expenses.

The Company also has exposure to other currencies including the Indian Rupee, Chilean Peso, Bangladeshi Taka, and Chinese Yuan. The Company's investments in these operations are not hedged as those currency positions are considered to be long-term in nature.

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 the RBC, as disclosed in note 7. At February 28, 2013 the remaining amount available to be drawn under this credit facility based on margin capacity is approximately \$1.0 million.

Also as disclosed in note 7, the Company maintains an operating line of credit for its operations in India with HDFC Bank Limited ("HDFC"). At February 28, 2013 this facility was fully drawn. The current guarantee of this facility by EDC has been extended to July 31, 2013 at which time it is up for renewal.

In addition, EDC has extended its guarantee to May 31, 2013 of the Company's additional credit facility of \$1.5 million US with RBC for the support of performance guarantees provided by the Company's subsidiaries. At February 28, 2013 performance guarantees totaling \$465,320 CDN are outstanding under this credit facility.

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Canadian dollars

16. Commitments

The Company leases land and building under an operating lease expiring on April 14, 2023. Contractual lease obligations comprised of base rent and operating costs for the next five years are as follows:

Due within 1 year	\$ 579,000
Due between 1 and 2 years	579,000
Due between 2 and 3 years	579,000
Due between 3 and 4 years	579,000
Due between 4 and 5 years	579,000
Thereafter	2,916,181
	<u>\$ 5,811,181</u>

During the quarter and in the prior year's comparative period \$144,750 was recognized as an expense in respect of the operating lease for land and building.

The Company has provided a guarantee in the amount of 7.5 million Yuan (\$1,223,000) for 50% of a bank loan to XPCT. The guarantee provided by the Company is proportionate to its shareholding in XPCT.

17. Segmented information:

The Company operates in one industry segment, the ITS 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 revenue in the following geographic areas:

	February 28, 2013	February 29, 2012
Canada and United States	\$ 4,397,592	\$ 5,679,961
Latin America	1,764,809	1,186,628
South Asia	941,400	1,115,053
Other International	704,682	934,602
	<u>\$ 7,808,483</u>	<u>\$ 8,916,244</u>

Non-current assets, at carrying value, are located in the following geographic areas:

	February 28, 2013	November 30, 2012
Canada and United States	\$ 9,245,389	\$ 9,497,946
Latin America	656,580	617,850
	<u>\$ 9,901,969</u>	<u>\$ 10,115,796</u>

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Notes to Interim Condensed Consolidated Financial Statements

Unaudited

For the three month period ended February 28, 2013 and February 29, 2012

Canadian dollars

18. Statements of cash flows:

Other operating items	February 28, 2013	February 29, 2012
Accounts receivable	\$ (63,289)	\$ (1,372,102)
Unbilled revenue	1,335,059	916,522
Inventories	(179,856)	105,473
Prepaid expense and deposits	13,150	130,772
Accounts payable and accrued liabilities	(1,081,354)	26,565
	\$ 23,710	\$ (202,769)

19. Key management personnel and directors compensation:

In addition to salaries and benefits, executive officers participate in the share option program (note 10). The Company compensates external directors through fees payable in cash or shares of the Company at the directors' discretion.

Upon resignation executive officers are subject to a notice term of four months. Executive officers are entitled to termination benefits ranging from 12 to 18 months' gross salary.

Key management and directors compensation includes:

	February 28, 2013	February 29, 2012
Salaries and short-term employee benefits	\$ 276,533	\$ 267,179
Share-based compensation	1,281	2,241
	\$ 277,814	\$ 269,420