INTERNATIONAL ROAD DYNAMICS INC.

Unaudited Interim Condensed Consolidated Financial Statements

Three months ended February 29, 2016 and February 28, 2015

The accompanying unaudited interim condensed consolidated financial statements have been prepared by management of International Road Dynamics Inc. and have not been reviewed by the Company's independent external auditor.

INTERNATIONAL ROAD DYNAMICS INC.

Interim Condensed Consolidated Statements of Financial Position

Unaudited

$ Canadian	Note	February 29, 2016	November 30, 2015
Assets			
Current assets:			
Cash		$ 1,969,247	$ 1,833,703
Accounts receivable		10,759,054	11,207,440
Embedded derivatives		383,726	481,689
Unbilled revenue		5,623,689	6,134,832
Income taxes receivable		—	160,391
Inventories	4	8,269,461	7,088,400
Prepaid expenses and deposits		2,087,762	1,982,379
		29,092,939	28,888,834
Property, plant and equipment	5	2,467,567	2,395,445
Intangible assets	6	416,921	403,706
Investment in XPCT	7	6,925,424	6,879,528
Investment tax credits recoverable		1,871,529	1,826,529
Deferred tax assets		1,367,276	1,365,696
		13,048,717	12,870,904
		$ 42,141,656	$ 41,759,738
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness	8	$ 4,821,373	$ 3,959,768
Accounts payable and accrued liabilities		7,899,286	8,948,729
Income taxes payable		2,358	—
Current portion of deferred revenue		4,454,650	4,550,550
Current portion of long-term debt	9	128,572	128,572
		17,306,239	17,587,619
Deferred revenue		811,965	824,666
Long-term debt	9	610,713	642,856
		1,422,678	1,467,522
Shareholders' equity:			
Share capital	11(b)	12,321,721	12,219,737
Contributed surplus		310,072	315,733
Retained earnings		9,547,433	9,090,633
Accumulated other comprehensive income		1,233,513	1,078,494
		23,412,739	22,704,597
		$ 42,141,656	$ 41,759,738

See accompanying notes to interim condensed consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.

Interim Condensed Consolidated Statements of Earnings (Loss)

Unaudited

$ Canadian	Note	Three months ended February 29, 2016	February 28, 2015
Revenue		$ 14,898,387	$ 10,696,815
Cost of goods sold		10,349,120	7,428,633
		4,549,267	3,268,182
Administrative and marketing expenses		3,241,855	2,998,965
Research and development, net	12	495,238	375,232
Financing costs (income), net	15	295,994	(15,138)
Other income		(4,600)	(11,621)
XPCT earnings	7	(119,232)	(76,306)
Earnings (loss) before income taxes		640,012	(2,950)
Income tax expense	10	183,212	40,372
Net earnings (loss)		$ 456,800	$ (43,322)
Earnings (loss) per share	14		
Basic		$ 0.03	$ (0.00)
Diluted		$ 0.03	$ (0.00)

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

Unaudited

$ Canadian	Three months ended February 29, 2016	February 28, 2015
Net earnings (loss)	$ 456,800	$ (43,322)
Other comprehensive income which may be reclassified to net earnings:		
Exchange differences on translation of foreign operations	155,019	1,126,464
Total comprehensive income	$ 611,819	$ 1,083,142

See accompanying notes to interim condensed consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
Unaudited
For the three months ended February 29, 2016 and February 28, 2015

$ Canadian	Note	Share capital	Contributed surplus	Retained Earnings	Accumulated other comprehensive income	Total shareholders' equity
Balance at November 30, 2014		$ 12,123,093	$ 303,290	$ 6,559,048	$ 188,690	$ 19,174,121
Issuance of capital stock	11(b)	36,922	(2,797)	—	—	34,125
Net loss		—	—	(43,322)	—	(43,322)
Other comprehensive income:						
Exchange differences on translation of foreign operations		—	—	—	1,126,464	1,126,464
Share-based compensation	11(c)	—	3,638	—	—	3,638
Balance at February 28, 2015		$ 12,160,015	$ 304,131	$ 6,515,726	$ 1,315,154	$ 20,295,026
Balance at November 30, 2015		$ 12,219,737	$ 315,733	$ 9,090,633	$ 1,078,494	$ 22,704,597
Issuance of capital stock	11(b)	101,984	(8,284)	—	—	93,700
Net earnings		—	—	456,800	—	456,800
Other comprehensive income:						
Exchange differences on translation of foreign operations		—	—	—	155,019	155,019
Share-based compensation	11(c)	—	2,623	—	—	2,623
Balance at February 29, 2016		$ 12,321,721	$ 310,072	$ 9,547,433	$ 1,233,513	$ 23,412,739

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

		Three months ended	
$ Canadian	Note	February 29, 2016	February 28, 2015
Cash flows from (used in):			
Operations:			
Net earnings (loss)		$ 456,800	$ (43,322)
Adjustments for:			
Embedded derivatives		97,963	(48,097)
Depreciation and amortization expense	13(b)	123,310	159,210
Bad debt expense	16	56,454	13,135
Share-based compensation	11(c)	2,623	3,638
XPCT earnings	7	(119,232)	(76,306)
Interest expense	15	83,650	95,730
Gain on disposal of property, plant and equipment		(973)	(10,686)
Investment tax credits earned	12	(45,000)	(45,000)
Income tax expense		183,212	40,372
		838,807	88,674
Changes in non-cash working capital	19	(1,335,109)	176,812
Income tax paid		(32,050)	(119,782)
Interest paid		(81,303)	(97,185)
		(609,655)	48,519
Investing:			
Proceeds from sale of property, plant and equipment		973	15,914
Additions to property, plant and equipment	5	(170,389)	(127,232)
Additions to intangibles	6	(21,835)	—
		(191,251)	(111,318)
Financing:			
Bank indebtedness increase (decrease)	8	861,605	(478,357)
Long-term debt repayment	9	(32,143)	(32,143)
Issuance of capital stock	11(b)	93,700	34,125
		923,162	(476,375)
Increase (decrease) in cash		122,256	(539,174)
Exchange rate changes on foreign currency cash balances		13,288	69,275
Cash, beginning of period		1,833,703	1,399,332
Cash, end of period		$ 1,969,247	$ 929,433

See accompanying notes to interim condensed consolidated financial statements.

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. These interim condensed consolidated financial statements as at and for the three months ended February 29, 2016 and February 28, 2015 comprise International Road Dynamics Inc. and its wholly-owned subsidiaries (together the “Company”) and the Company’s 50% 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, 2015.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on April 12, 2016.

(b) Basis of presentation

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

These statements have been prepared on the historical cost basis except for derivative instruments which are recorded at fair value through profit and loss.

The preparation of the interim condensed consolidated financial statements in conformance with IFRS requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management’s experience and other factors, including expectations about 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. There have been no changes to the Company’s assessment of significant accounting judgements and estimates from those disclosed in the most recent annual consolidated financial statements as at and for the year ended November 30, 2015.

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, 2015.

Recent accounting pronouncements which may be applicable to subsequent reporting periods and not yet adopted as at February 29, 2016 have not changed from those described in the Company’s most recent annual audited consolidated financial statements for the year ended November 30, 2015. The company is reviewing these standards and amendments to determine the impact on its consolidated financial statements, if any.

4. Inventories:

	February 29, 2016	November 30, 2015
Raw materials	$ 569,904	$ 538,763
Original equipment manufacturer materials	4,603,264	3,427,726
Work in process	1,524,163	1,413,583
Finished goods	1,572,130	1,708,328
	$ 8,269,461	$ 7,088,400

During the quarter, inventories expensed within cost of goods sold were $4,076,934 (2015 - $4,554,827).

5. Property, plant and equipment:

	Land and Buildings	Office Equipment	Operations Equipment	Automotive Equipment	Computer Equipment	Computer Software	Total
Cost							
Balance at November 30, 2015	$ 303,986	$1,021,555	$ 3,612,716	$1,702,791	$ 2,528,422	$ 1,312,167	$10,481,637
Additions	0	3,153	19,706	112,827	33,704	999	170,389
Disposals	—	—	—	(11,021)	—	—	(11,021)
Effect of movements in exchange rates	8,276	(1,796)	6,628	18,145	2,048	426	33,727
Balance at February 29, 2016	$ 312,262	$1,022,912	$ 3,639,050	$1,822,742	$ 2,564,174	$ 1,313,592	$10,674,732
Accumulated Depreciation							
Balance at November 30, 2015	$ 59,082	$ 973,614	$ 2,684,431	$ 833,396	$ 2,227,112	$ 1,308,557	$ 8,086,192
Additions	4,066	3,991	6,809	77,292	24,336	952	117,446
Disposals	—	—	—	(11,021)	—	—	(11,021)
Effect of movements in exchange rates	1,455	(2,163)	6,450	7,743	637	426	14,548
Balance at February 29, 2016	$ 64,603	$ 975,442	$ 2,697,690	$ 907,410	$ 2,252,085	$ 1,309,935	$ 8,207,165
Carrying Amounts							
Balance at November 30, 2015	$ 244,904	$ 47,941	$ 928,285	$ 869,395	$ 301,310	$ 3,610	$ 2,395,445
Balance at February 29, 2016	$ 247,659	$ 47,470	$ 941,360	$ 915,332	$ 312,089	$ 3,657	$ 2,467,567

Operations equipment includes assets under construction of $899,967 (November 30, 2015 - $880,261).

6. Intangible Assets:

As at February 29, 2016 the Company had intangible assets with a net book value of $416,921 (November 30, 2015 - $403,706). During the quarter additions to intangible assets were $21,835 (2015 - $nil) and amortization expense of $8,620 (2015 - $529) was recognized.

7. Investment in XPCT:

	Three months ended		Year ended
	February 29, 2016	February 28, 2015	November 30, 2015
Xuzhou-PAT Control Technologies Limited (XPCT)			
Balance, beginning of period	$6,879,528	$6,005,724	$ 6,005,724
Currency gain (loss) on financial statement translation	(73,336)	557,970	741,291
Company's share of earnings	119,232	76,306	444,705
Dividend received	—	—	(312,192)
Balance, end of period	$6,925,424	$6,640,000	$ 6,879,528

During the quarter the Company had sales to XPCT of $nil (2015 - $282,450). At February 29, 2016 accounts receivable from XPCT was $15,820 (November 30, 2015 - $15,820).

8. Bank indebtedness:

	February 29, 2016	November 30, 2015
Revolving credit facility of $8.5 million authorized and secured by a general security agreement:		
HSBC Bank Canada - borrowing in Canadian dollars with interest at bank prime plus 1.5%	$ 547,899	$ 875,034
HSBC Bank Canada - borrowing in U.S. dollars with interest at U.S. bank base rate plus 1.5%	4,273,474	3,084,734
	$ 4,821,373	$ 3,959,768

The HSBC revolving credit facility may be borrowed by way of banker's acceptances at prevailing market rates to a maximum of $8.5 million or by way of U.S. dollar advances to a maximum of U.S. $6.5 million. Borrowings on this facility are restricted to the lesser of $8.5 million and the margin total on the following assets in Canada and the U.S.: 90% of secured and government accounts receivable less than 120 days and 50% of inventory to a maximum of $3 million. As at February 29, 2016 approximately $3.7 million was available to be drawn.

The Company’s demand facility and long-term debt with HSBC are secured by a general security agreement on the assets of the Company held in Canada with a carrying value at February 29, 2016 of $36.5 million (November 30, 2015 - $34.9 million). In addition, the Company’s subsidiaries in the United States, Chile and India have provided corporate guarantees as security.

At February 29, 2016, the Company is in compliance with covenants on its credit facility and long-term debt with HSBC. During the period there have been no changes in these covenants which are defined in note 8 of the November 30, 2015 annual consolidated financial statements.

See note 16 for a discussion of liquidity risk.

9. Long-term debt:

	February 29, 2016	November 30, 2015
HSBC Bank Canada term loan, repayable in quarterly installments of $32,143 with interest at bank prime plus 0.5%. Due September 30, 2021	$ 739,285	$ 771,428
Less current portion	128,572	128,572
	$ 610,713	$ 642,856

The HSBC term loan is secured by a general security agreement on the assets of the Company in Canada and is guaranteed by EDC. As described in note 8 the Company is in compliance with the covenants under the terms of its credit facilities with HSBC.

In addition the Company has a credit facility of U.S. $500,000 to finance construction of certain operating assets. As at February 29, 2016 no amount was drawn on this facility.

10. Income taxes:

The effective tax rate can vary from the Canadian statutory tax rate of approximately 27% applied to earnings before income taxes as a result of different rates of tax on foreign income, XPCT net 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 income tax rates effective in the jurisdictions in which the Company operates.

In each of the Canada and United States and Latin America and Mexico business segments, the Company’s income tax provision generally reflects the statutory rates applicable to those jurisdictions. No income tax recovery has been recorded in the Company's India subsidiary due to uncertainty that sufficient future earnings will be generated to offset current and prior years' available tax losses prior to their expiry date.

11. Share capital:

(a) Authorized:

An unlimited number of common voting shares, with no par value.

(b) Common shares:

	Three Months ended			
	February 29, 2016		February 28, 2015	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	14,398,462	$12,219,737	14,149,170	$12,123,093
Shares issued on exercise of stock options	217,500	91,825	100,000	31,000
Shares issued for directors' compensation	1,330	1,875	3,765	3,125
Adjustment from contributed surplus	—	8,284	—	2,797
Balance, end of period	14,617,292	$12,321,721	14,252,935	$12,160,015

The weighted average market price of common shares issued during the period on exercise of stock options was $1.36.

11. Share capital - continued:

(c) Options:

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 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 29, 2016, 130,665 (November 30, 2015 - 130,665) options remain available to be granted, subject to approval by the Board of Directors. Stock options generally vest equally over three years subject to the discretion of the Compensation Committee of the Board of Directors and have a maximum term of five years.

At February 29, 2016, the following stock options to officers, employees and others were outstanding:

	Options Outstanding			Options Exercisable	
Exercise Prices ($)	Number Outstanding at February 29, 2016	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price ($)	Number Exercisable at February 29, 2016	Weighted-Average Exercise Price ($)
0.31	315,000	0.66	0.31	315,000	0.31
0.43	66,500	1.70	0.43	66,500	0.43
0.44	10,000	1.76	0.44	10,000	0.44
0.63	200,000	2.61	0.63	133,333	0.63
0.72	250,000	3.76	0.72	166,666	0.72
1.00	30,000	4.22	1.00	10,000	1.00
1.20	525,000	3.00	1.20	525,000	1.20
	1,396,500	2.51	$0.79	1,226,499	$0.79

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

	Number of Common Shares Issuable	Weighted Average Exercise Price
Outstanding, November 30, 2015	1,614,000	$ 0.74
Options exercised	(217,500)	0.42
Outstanding, February 29, 2016	1,396,500	$ 0.79

Outstanding options expire between October 26, 2016 and May 19, 2020.

During the quarter the Company recorded share-based compensation expense of $2,623 (2015 - $3,638) along with a corresponding increase in contributed surplus in shareholders' equity.

12. Research and development, net:

	Three months ended	
	February 29, 2016	February 28, 2015
Research and development expenditures	$ 662,053	$ 420,232
Less:		
Government grants earned	(121,815)	—
Investment tax credits	(45,000)	(45,000)
	$ 495,238	$ 375,232

13. Expense classification:

(a) Personnel expenses:

	Three months ended	
	February 29, 2016	February 28, 2015
Wages and salaries	$ 4,077,175	$ 3,454,411
Statutory benefits	216,657	207,384
Other employment benefits	204,282	176,312
Defined contribution plan	81,152	72,976
Share-based compensation	2,623	3,638
	$ 4,581,889	$ 3,914,721

(b) Depreciation and amortization expense:

	Three months ended	
	February 29, 2016	February 28, 2015
Depreciation on property, plant and equipment	$ 117,446	$ 155,396
Add: Depreciation in opening inventory	10,936	14,932
Less: Depreciation in closing inventory	(13,692)	(11,647)
Depreciation expense	$ 114,690	$ 158,681
Depreciation expense is allocated as follows:		
Cost of goods sold	$ 83,634	$ 123,376
Administration and marketing expenses	31,056	35,305
	114,690	158,681
Amortization on intangibles included in cost of goods sold	8,620	529
Depreciation and amortization expense	$ 123,310	$ 159,210

14. Earnings (loss) per share:

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

	Three months ended	
	February 29, 2016	February 28, 2015
Net earnings (loss)	$ 456,800	$ (43,322)
Weighted average number of common shares outstanding:		
Basic	14,475,550	14,168,979
Effect of stock options	587,706	475,253
Diluted	15,063,256	14,644,232
Earnings (loss) per share:		
Basic	$ 0.03	$ (0.00)
Diluted	$ 0.03	$ (0.00)

As disclosed in note 11(c) the Company has stock options outstanding to purchase 1,396,500 common shares at February 29, 2016 (2015 - 1,719,167).

15. Financing costs (income), net:

	Three months ended	
	February 29, 2016	February 28, 2015
Interest on bank indebtedness	$ 77,603	$ 87,926
Interest on long-term debt	6,047	7,804
Foreign exchange losses (gains)	212,344	(110,868)
	$ 295,994	$ (15,138)

16. Financial instruments and related 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.

Fair value:

The Company classifies its fair value measurements by reference to the following fair value measurement hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Assets and liabilities carried at fair value in the Company's financial statements are generally limited to derivative instruments used for risk management purposes and the embedded derivative portion of the unearned revenue of U.S. dollar denominated sales contracts in its Chilean and Mexican subsidiaries. Estimates of fair value for embedded derivatives are determined using Level 2 measurements. The fair value of embedded derivatives is measured using a market approach, based on the difference between quoted forward foreign exchange rates as of the contract date and quoted forward foreign exchange rates as of the reporting date.

The carrying amounts of the Company's financial assets and liabilities, including cash, accounts receivable, unbilled revenue and accounts payable and accrued liabilities approximate fair value due to the short-term maturity of these items. The fair value of bank indebtedness and long-term debt approximates the carrying amounts since these debts have floating interest rates.

Financial instrument risk

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:

The Company's cash balances are held and transacted with banks and financial counterparties that are considered credit worthy with high credit ratings.

The Company is exposed to credit risk from its customers on its trade receivables and unbilled revenue. The maximum exposure to credit risk is represented by the uninsured portion of these financial assets.

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.

16. Financial instruments and related risk (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 subject to internal credit review in order to minimize risk of non-payment. Canada and U.S. billings to non-government customers, not otherwise secured by letter of credit, are generally insured by EDC to the extent of 90% of the invoiced amount. Credit risk is more significant for certain customers in India due to higher risk of financial instability.

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

	Three months ended	
	February 29, 2016	February 28, 2015
Balance, beginning of period	$ 2,519,978	$ 1,759,789
Bad debt expense	56,454	13,135
Recovery of write offs	(54,083)	(3,583)
Foreign currency revaluation	(45,384)	157,922
Balance, end of period	$ 2,476,965	$ 1,927,263

Currency fluctuation risk:

The Company is exposed to foreign exchange risk primarily relating to sales revenue, operating expenses and capital expenditures denominated in foreign currencies and the embedded derivative portion of the unearned revenue of U.S. dollar denominated sales contracts in its Chilean and Mexican subsidiaries.

In addition the Company is exposed to foreign exchange risk on translation of net assets held in foreign currencies and translation of foreign currency subsidiary and joint venture operations from their functional currency to that of the Company.

The Company has exposure to the U.S. dollar, Indian rupee, Chilean peso, Mexican peso and Chinese yuan. The majority 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 both the Canadian dollar and Chilean peso can significantly affect both earnings and cash flow from operations.

During the three months ended February 29, 2016 approximately 86% of the Company's sales were denominated in U.S. dollars. The average Canadian exchange rate against the U.S. dollar weakened during 2016 relative to 2015 by approximately 4.0%. This resulted in an increase in the Canadian dollar value of the Company's U.S. dollar denominated sales by approximately $1.7 million during the quarter. This impact is partially offset by the corresponding higher value of U.S. dollar denominated expenses.

16. Financial instruments and related risk (continued):

The Company has partially reduced its exposure to U.S. currency volatility by maintaining a portion of its bank indebtedness in U.S. funds. From time to time the Company enters into forward foreign exchange contracts to sell U.S. dollars to hedge its net accounts receivable denominated in this currency. The term of these forward contracts is of a short term nature with the objective of matching the expected payments from customers. As at and for the periods ended February 29, 2016 and November 30, 2015 the Company had no foreign exchange forward contracts.

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 HSBC, as disclosed in note 8. At February 29, 2016 the remaining amount available to be drawn under this credit facility based on margin capacity is approximately $3.7 million.

In addition, EDC has provided a guarantee to May 31, 2016 of the Company’s additional credit facility of U.S. $900,000 (November 30, 2015 - U.S. $900,000) for the support of performance guarantees provided by the Company’s subsidiaries. At February 29, 2016 performance guarantees totaling $85,502 (November 30, 2015 - $101,762) were outstanding under this credit facility.

The Company’s Chilean subsidiary also maintains a secured line of credit to support performance guarantees required for selected projects. As at February 29, 2016 the Canadian dollar value of these performance guarantees totaled $992,483 (November 30, 2015 - $1,192,395). The Company has also provided a guarantee, proportionate to its shareholding in XPCT, in the amount of 10.0 million yuan or $2.1 million (November 30, 2015 - 10.0 million yuan or $2.1 million) for 50% of a bank loan to XPCT.

17. Commitments:

The Company leases land and building under an operating lease expiring on April 14, 2023. The lease includes options to renew for up to an additional 10 years. Contractual lease obligations comprised of base rent and operating costs for the next five years and thereafter 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		1,227,958
	$	4,122,958

During the three months ended February 29, 2016 an amount of $144,750 was recognized as an expense in the statement of earnings in respect of operating leases (2015 - $144,750).

18. 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 improve the efficiency of traffic flows.

Reportable segments represent the Company's geographic business units and reflect management's current focus on allocating resources and measuring performance. Reportable segments offer similar products and services, have separate management structures, and have their own sales force.

Revenue as disclosed in the following tables is from internal and external customers with intersegment revenue and expenditures eliminated on consolidation.

Three months ended February 29, 2016	Canada and United States	Latin America and Mexico	India	Intersegment Adjustments	Total
Revenue					
Contracted projects	$ 7,278,459	$ 1,185,025	$ 30,897	$ —	$ 8,494,381
Service	4,174,106	414,490	77,010	—	4,665,606
Product sales	1,538,382	384,887	49,303	(234,172)	1,738,400
	$ 12,990,947	$ 1,984,402	$ 157,210	$ (234,172)	$ 14,898,387
Cost of goods sold	9,104,527	1,385,560	102,795	(243,762)	10,349,120
	3,886,420	598,842	54,415	9,590	4,549,267
Administrative and marketing expenses	2,419,625	741,128	178,361	(97,259)	3,241,855
Research and development, net	449,488	45,750	—	—	495,238
Financing costs, net	102,497	188,705	4,792	—	295,994
Other expense (income)	(92,912)	(8,947)	—	97,259	(4,600)
XPCT earnings	(119,232)	—	—	—	(119,232)
Earnings (loss) before income taxes	1,126,954	(367,794)	(128,738)	9,590	640,012
Income tax expense (recovery)	269,273	(87,979)	—	1,918	183,212
Net earnings (loss)	$ 857,681	$ (279,815)	$ (128,738)	$ 7,672	$ 456,800
Current assets	$ 19,428,812	$ 7,875,053	$ 2,008,529	$ (219,455)	$ 29,092,939
Investment in XPCT	6,925,424	—	—	—	6,925,424
Other non-current assets	16,554,410	1,026,435	—	(11,457,552)	6,123,293
Total assets	$ 42,908,646	$ 8,901,488	$ 2,008,529	$ (11,677,007)	$ 42,141,656
Total liabilities	$ 15,824,016	$ 4,105,227	$ 8,614,682	$ (9,815,008)	$ 18,728,917
Additions to property, plant and equipment	$ 138,674	$ 31,716	$ —		$ 170,389
Additions to intangible assets	$ 21,835	$ —	$ —		$ 21,835

18. Segmented information - continued:

Three months ended February 28, 2015	Canada and United States	Latin America and Mexico	India	Intersegment Adjustments	Total
Revenue					
Contracted projects	$ 3,935,486	$ 1,832,522	$ 224,787	$ —	$ 5,992,795
Service	2,218,682	353,899	114,004	—	2,686,585
Product sales	2,033,483	131,022	5,852	(152,922)	2,017,435
	$ 8,187,651	$ 2,317,443	$ 344,643	$ (152,922)	$ 10,696,815
Cost of goods sold	5,456,406	1,895,024	229,875	(152,672)	7,428,633
	2,731,245	422,419	114,768	(250)	3,268,182
Administrative and marketing expenses	2,268,809	656,733	167,062	(93,639)	2,998,965
Research and development, net	358,546	16,686	—	—	375,232
Financing costs (income), net	(20,617)	4,238	1,241	—	(15,138)
Other expense (income)	(99,879)	(5,381)	—	93,639	(11,621)
XPCT earnings	(76,306)	—	—	—	(76,306)
Earnings (loss) before income taxes	300,692	(249,857)	(53,535)	(250)	(2,950)
Income tax expense (recovery)	82,356	(41,934)	—	(50)	40,372
Net earnings (loss)	$ 218,336	$ (207,923)	$ (53,535)	$ (200)	$ (43,322)
Current assets	$ 16,362,012	$ 7,679,803	$ 3,013,497	$ (118,630)	$ 26,936,682
Investment in XPCT	6,640,000	—	—	—	6,640,000
Other non-current assets	14,797,322	1,041,028	—	(10,251,178)	5,587,172
Total assets	$ 37,799,334	$ 8,720,831	$ 3,013,497	$ (10,369,808)	$ 39,163,854
Total liabilities	$ 15,078,930	$ 3,487,556	$ 8,792,546	$ (8,490,204)	$ 18,868,828
Additions to property, plant and equipment	$ 79,930	$ 47,302	$ —		$ 127,232
Additions to Intangibles	$ —	$ —	$ —		$ —

18. Segmented information - continued:

Revenue from external customers by geographic area is as follows:

	Three months ended	
	February 29, 2016	February 28, 2015
United States	$ 11,500,657	$ 6,822,294
Chile	1,467,789	754,119
Canada	485,870	471,286
Mexico	439,630	696,543
Thailand	422,751	—
India	157,210	344,643
Republic of Korea	146,123	80,731
Paraguay	82,816	808,879
Other	195,541	718,320
	$ 14,898,387	$ 10,696,815

Other non-current assets excluding deferred tax assets and investment tax credits recoverable by geographic area is as follows:

	Three months ended	
	February 29, 2016	February 28, 2015
Canada	$ 941,318	$ 565,430
United States	1,470,150	931,185
Chile	473,020	506,220
	$ 2,884,488	$ 2,002,835

19. Statements of cash flows:

Changes in non-cash working capital

	Three months ended	
	February 29, 2016	February 28, 2015
Accounts receivable	$ 509,770	$ (709,288)
Unbilled revenue	530,017	265,929
Inventories	(1,133,378)	(765,157)
Prepaid expenses and deposits	(72,772)	(529,531)
Accounts payable and accrued liabilities	(1,091,907)	30,849
Deferred revenue	(76,839)	1,884,010
	$ (1,335,109)	$ 176,812

20. Related party transactions:

These interim condensed consolidated financial statements include the accounts of International Road Dynamics Inc. and its wholly-owned subsidiaries. Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions and balances with the Company's joint venture XPCT, which is also a related party, are disclosed in note 7.

Key management personnel and directors' compensation:

In addition to salaries and benefits, executive officers participate in the share option program (see note 11(c)). 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 six months. Executive officers are entitled to termination benefits ranging from 18 to 24 months' gross salary. Certain executive officers are employed through corporate entities.

Key management and directors' compensation includes:

	Three months ended	
	February 29, 2016	February 28, 2015
Executive officers' compensation		
Wages and salaries	$ 253,815	$ 245,209
Statutory and other benefits	2,894	2,795
Contributions to defined contribution plans	13,825	13,194
Share-based compensation	2,391	3,516
	272,925	264,714
Directors' compensation	37,750	36,000
	$ 310,675	$ 300,714

21. Comparative figures:

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