INTERNATIONAL ROAD DYNAMICS INC.

Management's Discussion & Analysis

For the Three and Nine Months Ended August 31, 2016

INTERNATIONAL ROAD DYNAMICS INC.

Management's Discussion & Analysis
For the Three and Nine Months Ended August 31, 2016

INTRODUCTION

The following discussion and analysis of International Road Dynamics Inc. ("IRD" or the "Company") operating results, financial position and cash flows has been prepared by management as of October 12, 2016 and is based on the Company's interim condensed consolidated financial statements for the three and nine months ended August 31, 2016 and 2015 and the Company's audited consolidated financial statements for the twelve months ended November 30, 2015 and 2014 available on SEDAR at www.sedar.com. Accordingly, this discussion and analysis should be read with reference to those financial statements and the accompanying notes.

BASIS OF PRESENTATION

Financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are in Canadian dollars unless otherwise indicated. These interim condensed consolidated financial statements comprise International Road Dynamics Inc. and each of its wholly owned subsidiaries. Each entity in the Company is measured using the currency of the primary economic environment in which the entity operates ("functional currency"). These interim condensed consolidated financial statements are presented in Canadian dollars, which is IRD's functional and presentation currency.

COMPANY OVERVIEW

International Road Dynamics Inc. is one of the world's leading providers of integrated systems and solutions for the global Intelligent Transportation Systems (ITS) Industry. The ITS Industry is a worldwide market focused on improving the mobility, enhancing the safety, increasing the efficiency and reducing the environmental impact of highway and roadway transportation systems. The Company has established a network of direct and independent operations and relationships in strategic geographic regions to identify and pursue ITS opportunities wherever they may arise.

The core strengths of the Company are its national and international sales network and installed base of systems, its intellectual property (trade names, patents, trademarks and other proprietary knowledge), and its ability to utilize a variety of patented and proprietary and original equipment manufacturer (OEM) technologies, including the Company's Weigh-In-Motion (WIM) and vehicle measurement technologies, to detect, classify and weigh vehicles at highway speeds. With these core competencies, the Company is able to deliver automated systems for commercial vehicle operations at truck weigh stations, border crossings, highway traffic data collection, highway toll collection systems, as well as vehicle fleet management systems around the world. IRD is the world's largest provider of WIM systems.

The Company's customers include government transportation agencies, traffic engineering consultants and operators, city and municipal agencies, concessionaires, industrial, mining, and service companies worldwide.

The Company's revenue is derived from selling integrated transportation systems, services and products. Integrated systems are made up of a combination of the Company's proprietary electronics, software technology, WIM and vehicle measurement products, installation and commissioning services. Service contracts are typically multi-year, renewable arrangements whereby the Company maintains and services its installed systems and products for its customers. In addition, the Company enters into recurring revenue service contracts where the Company owns the equipment providing customer services such as delivery of real time and statistical traffic information and truck weigh station bypass services. The Company also sells, integrates, and maintains "off-the-shelf" products, typically OEM equipment such as machine vision for vehicle identification, automatic vehicle identification readers and transponders and others.

OUTLOOK

Following on strong growth through the third quarter and first nine months of fiscal 2016 the Company expects fourth quarter revenues to be consistent with the prior year's fourth quarter primarily due to current in-house order levels in the Canada and United States business segment. Additionally, the Company remains optimistic it can achieve increased revenues and profit in the Latin America and Mexico segment through the balance of the year based on the completion of existing projects and other near term sales opportunities. Business operations in the India segment are expected to continue at minimal levels for the balance of 2016 reflecting the reduced business activity in this market. Consolidated and business segment revenues and net earnings can vary significantly on a quarterly basis due to uncertainty in the timing of project awards and activities which are often at the discretion of government agencies.

The current value of the U.S. dollar is expected to continue to provide economic benefits to the Company’s 2016 revenues and profitability as the majority of the Company’s revenues are denominated in U.S. dollars. Changes in the U.S. dollar relative to the Canadian dollar and Chilean peso have the potential to increase or decrease the Company's revenue and profit performance.

Over the medium term, the Company believes that governments and private sector interests around the world will continue to invest in highway and roadway infrastructure as a means to improve transportation systems efficiency, reduce emissions, increase safety and productivity while supporting economic growth. As such, the Company expects worldwide demand for ITS products to continue to grow. Further, with a growing global installed base of ITS systems and technologies, the Company also anticipates its maintenance and service business will continue to expand, providing recurring and sustainable revenue.

Over the long term, the Company’s expertise, technologies, products and services will provide systems, data and solutions for the future evolution of the Automated Highway System (AHS). The speed of the deployment of AHS technologies is dependent on a number of factors, including the development and acceptance of driver assisted and autonomous vehicles, and the deployment of the infrastructure such as the communications and other services needed to support the AHS. IRD believes that most infrastructure investment challenges will be addressed within new government budgets and increased involvement by the private sector through Private-Public-Partnership (PPP) business models. In the PPP model, infrastructure financing is provided outside of traditional government sources. In support of this long term vision, the Company is committed to an active program of research and development to advance the functionality of existing products and systems in the near term while preparing for the AHS in the longer term.

RESULTS OF OPERATIONS

The results of operations on a consolidated basis for the three and nine months ended August 31, 2016 and 2015 are summarized as follows:

Comparative Statements of Earnings

	Three Months Ended August 31		Nine Months Ended August 31	
	2016	2015	**2016**	2015
	$	$	**$**	$
Revenue	**18,256,282**	18,085,508	**48,439,341**	41,746,208
Cost of goods sold	**11,794,273**	13,115,081	**32,687,429**	29,118,454
Gross margin	**6,462,009**	4,970,427	**15,751,912**	12,627,754
Gross margin percentage	**35.4%**	27.5%	**32.5%**	30.2%
Administrative and marketing expenses	**3,591,504**	3,737,118	**10,034,045**	9,811,432
Research and development, net	**840,178**	298,476	**1,935,003**	1,185,709
Financing costs (income), net	**152,570**	(591,941)	**825,827**	(285,236)
Other income	**(36,730)**	(41,139)	**(57,763)**	(60,495)
XPCT earnings	**(65,165)**	(399,670)	**(189,858)**	(473,198)
Earnings before income taxes	**1,979,652**	1,967,583	**3,204,658**	2,449,542
Income tax expense	**569,427**	509,268	**969,627**	697,100
Net earnings	**1,410,225**	**1,458,315**	**2,235,031**	1,752,442
Earnings per share basic	**0.10**	0.10	**0.15**	0.12
Earnings per share diluted	**0.09**	0.10	**0.15**	0.12
EBITDA[1]	**2,175,511**	2,188,393	**3,808,418**	3,205,673

[1] See Non-IFRS Measures

Revenue increased by 0.9% and 16.0% for the three and nine months ended August 31, 2016, respectively compared to the same prior-year periods. The significant growth in fiscal 2016 reflects the Company's success across all its market segments arising from an increased number of contracted projects, higher service and maintenance revenues, and product sales compared to the prior year. Changes in the value of the U.S. dollar compared to the prior year increased consolidated revenues by approximately $2.6 million for the first nine months of fiscal 2016.

Gross margin as a percentage of revenue in the third quarter and first nine months of fiscal 2016 increased compared to the prior year due mainly to changes in product mix, foreign currency variability, and increased margins on specific projects.

Administrative and marketing expenses increased marginally through the first nine months of the fiscal year primarily due to an increase in sales and support costs related to the higher levels of business activity in the current year. Expenses in fiscal 2016 are largely consistent with the prior year to date. However, operating expenses are also affected by changes in the value of the U.S. dollar on the portion of expenses incurred in U.S. dollars. The Company continues to make significant investments in research and development to enhance current products and advance the availability of new products.

Financing costs (income), net comprises short and long term interest costs and net foreign exchange losses (gains). The increase in financing costs in the third quarter of fiscal 2016 was due primarily to foreign exchange losses on the Company's net foreign dollar assets and U.S. dollar forward exchange contracts as the U.S. dollar declined relative to the Canadian dollar and Chilean peso since the beginning of the fiscal year. For the prior year to date, the U.S. dollar had increased relative to these currencies which provided foreign exchange gains.

The Company reported net earnings of $1,410,225 or $0.10 per share (2015 - $1,458,315 or $0.10 per share) in the third quarter of fiscal 2016 and $2,235,031 or $0.15 per share (2015 - $1,752,442 or $0.12 per share) for the nine months ended August 31, 2016.

Review of Operations by Segment

The Company operates in one industry segment, the ITS industry, which involves systems design, hardware and 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 sales forces.

Segment revenue is from internal and external customers. Intersegment revenue and expenditures are eliminated on consolidation as illustrated in the tables below.

Revenue and Gross Margin by Segment

The following is a breakdown of the Company's revenue and gross margin for the three and nine months ended August 31, 2016 and 2015 by segment:

	For the Three Months Ended August 31, 2016				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2016**
	$	**$**	**$**	**$**	**$**
Contracted Projects	8,840,248	358,196	35,819	—	9,234,263
Service	5,229,806	577,033	81,109	—	5,887,948
Products	2,262,860	978,089	16,768	(123,646)	3,134,071
Total Revenue	**16,332,914**	**1,913,318**	**133,696**	**(123,646)**	**18,256,282**
Gross Margin	**5,253,921**	**1,185,011**	**5,080**	**17,997**	**6,462,009**
Gross Margin %	**32.2%**	**61.9%**	**3.8%**		**35.4%**

	For the Three Months Ended August 31, 2015				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2015**
	$	**$**	**$**	**$**	**$**
Contracted Projects	7,617,011	1,934,954	17,762	—	9,569,727
Service	3,935,296	308,698	201,211	—	4,445,205
Products	3,900,448	538,803	7,425	(376,100)	4,070,576
Total Revenue	15,452,755	2,782,455	226,398	(376,100)	18,085,508
Gross Margin	4,033,266	766,671	151,158	19,332	4,970,427
Gross Margin %	26.1%	27.6%	66.8%		27.5%

	For the Nine Months Ended August 31, 2016				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2016**
	$	**$**	**$**	**$**	**$**
Contracted Projects	22,708,629	2,376,583	92,240	—	25,177,452
Service	13,147,016	1,335,898	242,226	—	14,725,140
Products	7,324,299	1,540,117	68,901	(396,568)	8,536,749
Total Revenue	43,179,944	5,252,598	403,367	(396,568)	48,439,341
Gross Margin	13,391,384	2,235,579	93,244	31,705	15,751,912
Gross Margin %	31.0%	42.6%	23.1%		32.5%

	For the Nine Months Ended August 31, 2015				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2015**
	$	**$**	**$**	**$**	**$**
Contracted Projects	16,499,381	5,007,856	282,515	—	21,789,752
Service	10,396,745	1,350,013	438,342	—	12,185,100
Products	7,690,691	793,953	25,149	(738,437)	7,771,356
Total Revenue	34,586,817	7,151,822	746,006	(738,437)	41,746,208
Gross Margin	10,657,897	1,629,631	348,810	(8,584)	12,627,754
Gross Margin %	30.8%	22.8%	46.8%		30.2%

Canada and United States

The Company’s growth in its Canada and United States segment, which includes international sales not served by the Company’s Latin America and Mexico or India segments, is largely driven by the Company’s strong reputation, quality of work, and an ability to execute projects in a timely manner.

Segment revenue increased by 5.7% and 24.8% in the third quarter and first nine months of fiscal 2016 respectively compared to the same prior-year periods. The growth in sales reflects the Company's continuing ability to deliver an increasing number and dollar value of contracted project and service contracts. Revenue growth also reflects changes in the value of the U.S. dollar which increased revenues by approximately $2.5 million in this business segment through the first nine months of fiscal 2016 compared to the prior year.

Gross margin as a percentage of revenue in the third quarter of fiscal 2016 increased to 32.2% up from 26.1% in the prior year due to increased profitability on current projects and a higher margin product mix. Gross margin as a percentage of revenue for the first nine months of fiscal 2016 was 31.0% consistent with the prior year. Gross margin is subject to variance due to changes in product mix, currency volatility, and competitive factors.

The Company expects fourth quarter revenues in this segment to be consistent with the prior year's fourth quarter due to current in-house order levels and other identifiable near term sales opportunities. Revenue realization may vary widely on a quarter to quarter basis, depending on the timing of contract awards and other customer requirements.

Latin America and Mexico

Segment revenue decreased in the third quarter and first nine months of fiscal 2016 compared to the same prior-year periods due primarily to changes in delivery schedule requirements on certain projects. However, gross margin as a percentage of revenue rose significantly in the third quarter and first nine months of fiscal 2016 due primarily to a high margin product sale realized in the third quarter. The prior year's gross margin was also negatively affected by strategic pricing decisions and changes in product mix.

For the balance of fiscal 2016, the Company is optimistic it can continue to grow revenues based on completion of existing projects and new contract opportunities in the region. In addition, the Company expects to sustain its current service revenue levels based on contract renewals obtained over the past fiscal year.

India

The decrease in the Company's India segment revenue compared to the prior year reflects the Company's decision to reduce the level of business activity in this geographic segment.

For the balance of fiscal 2016, the Company expects only modest levels of revenue in this business segment as it remains committed to accepting only business opportunities with acceptable payment terms.

Operating Expenses by Segment

	For the Three Months Ended August 31, 2016				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2016**
	$	**$**	**$**	**$**	**$**
Operating expenses:					
Administrative and marketing expenses	2,997,736	563,109	123,014	(92,355)	3,591,504
Research and development, net	823,503	16,675	—	—	840,178
	3,821,239	**579,784**	**123,014**	**(92,355)**	**4,431,682**

	For the Three Months Ended August 31, 2015				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2015**
	$	**$**	**$**	**$**	**$**
Operating expenses:					
Administrative and marketing expenses	2,734,565	812,674	282,518	(92,639)	3,737,118
Research and development, net	268,550	29,926	—	—	298,476
	3,003,115	**842,600**	**282,518**	**(92,639)**	**4,035,594**

	For the Nine Months Ended August 31, 2016				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2016**
	$	**$**	**$**	**$**	**$**
Operating expenses:					
Administrative and marketing expenses	8,003,979	1,857,720	454,471	(282,125)	10,034,045
Research and development, net	1,847,617	87,386	—	—	1,935,003
	9,851,596	**1,945,106**	**454,471**	**(282,125)**	**11,969,048**

	For the Nine Months Ended August 31, 2015				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2015**
	$	**$**	**$**	**$**	**$**
Operating expenses:					
Administrative and marketing expenses	7,277,421	2,160,394	647,573	(273,956)	9,811,432
Research and development, net	1,111,391	74,318	—	—	1,185,709
	8,388,812	**2,234,712**	**647,573**	**(273,956)**	**10,997,141**

Canada and United States

Total administrative and marketing expenses increased by 9.6% and 10.0% in the third quarter and first nine months of fiscal 2016 respectively, compared to the same prior-year periods. The increase was due primarily to additional sales and support costs consistent with higher levels of business activity in the current year as well as the effect of the increased value of the U.S. dollar compared to the Canadian dollar which affects the portion of expenses incurred in U.S. dollars.

R&D expense in this segment, before government grants and tax credits, increased in the third quarter and first nine months of fiscal 2016 compared to the prior year as the Company continued its initiative to increase research and development activities to enhance current products and advance the availability of new products such as the recently announced *VectorSense*® Tire Sensor Suite and the related Vehicle Information-In-Motion™ (*VI²M*™) Traffic Data Collection system. For the first nine months of fiscal 2016, the Company has recorded government grants of $259,216 (2015 - $34,204) and accrued investment tax credits on eligible scientific research expenditures in the Canadian operations of $244,355 (2015 - $235,000), which are available to reduce future income taxes otherwise payable on Canadian taxable income. Net R&D spending levels for the first nine months of fiscal 2016 were 4.3% of segment revenues (2015 - 3.2%).

Latin America and Mexico

Total administrative and marketing expenses have decreased in fiscal 2016 primarily due to a reduction in sales commissions and other cost savings.

India

Total administrative and marketing expenses have declined in fiscal 2016 as the prior year included additional bad debt provisions not required in the current year. Additionally, the Company has continued to reduce costs to reflect the planned reduction in business activity.

Financing Costs (Income) by Segment

	For the Three Months Ended August 31, 2016			
	Canada and United States	Latin America and Mexico	India	2016
	$	$	$	$
Interest on bank indebtedness	46,602	4,414	—	51,016
Interest on long-term debt	5,532	—	—	5,532
Foreign exchange losses (gains)	7,347	88,876	(201)	96,022
	59,481	**93,290**	**(201)**	**152,570**

	For the Three Months Ended August 31, 2015			
	Canada and United States	Latin America and Mexico	India	2015
	$	$	$	$
Interest on bank indebtedness	81,251	7,030	—	88,281
Interest on long-term debt	6,648	—	—	6,648
Foreign exchange losses (gains)	(263,827)	(430,491)	7,448	(686,870)
	(175,928)	**(423,461)**	**7,448**	**(591,941)**

	For the Nine Months Ended August 31, 2016			
	Canada and United States	Latin America and Mexico	India	2016
	$	$	$	$
Interest on bank indebtedness	176,581	23,314	—	199,895
Interest on long-term debt	17,241	—	—	17,241
Foreign exchange losses	310,839	297,128	724	608,691
	504,661	**320,442**	**724**	**825,827**

	For the Nine Months Ended August 31, 2015			
	Canada and United States	Latin America and Mexico	India	2015
	$	$	$	$
Interest on bank indebtedness	237,188	45,372	2,839	285,399
Interest on long-term debt	21,514	—	—	21,514
Foreign exchange losses (gains)	(405,554)	(199,004)	12,409	(592,149)
	(146,852)	**(153,632)**	**15,248**	**(285,236)**

Interest Expense

Interest on bank indebtedness and long-term debt in fiscal 2016 has decreased compared to the prior year due to a net decrease in borrowing levels in Canada and the elimination of all bank debt in India (see “Capital Resources” below).

Foreign Exchange

The Company is exposed to foreign exchange risk primarily relating to sales revenue, operating and capital expenditures, net assets held in foreign currencies, forward exchange contracts, and embedded derivative portions of unearned revenue on certain U.S. dollar denominated sales contracts in its Latin America and Mexico segment. The Company has exposure to the U.S. dollar, Indian rupee, Chilean peso, Mexican peso, and Chinese yuan as more fully described in the Management Discussion and Analysis for the year ended November 30, 2015.

The Company recorded foreign exchange losses in the third quarter of fiscal 2016 and year to date of $96,022 and $608,691 respectively (2015 - gains of $686,870 and $592,149). Foreign exchange losses reflect the year to date decline in the value of the U.S. dollar relative to the Canadian dollar and Chilean peso which results in a reduction in the carrying value of U.S. dollar net assets. In addition, the Company recorded a loss on outstanding U.S. dollar forward exchange contracts and a decrease in the embedded derivative assets related to the realization of U.S. revenues on open contracts within its Chilean and Mexican subsidiaries.

As at August 31, 2016, the fair value of embedded derivative assets on the contracts discussed above was $331,289 (November 30, 2015 - $481,689) on unearned revenue of U.S. $1.1 million (November 30, 2015 - U.S. $2.6 million). As revenues are recognized on these contracts or the future value of the U.S. dollar changes compared to the Chilean and Mexican pesos, earnings will be affected.

The Company has partially reduced its exposure to U.S. currency volatility by maintaining a portion of its bank indebtedness in U.S. funds. In addition, from time to time the Company enters into forward exchange contracts to sell U.S. dollars to fix 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. At August 31, 2016 the Company had five forward exchange contracts of $500,000 each to sell U.S. dollars. These contracts mature over a six month period from September 15, 2016 to January 17, 2017 at an average exchange rate of 1.269 and have a negative fair value of $101,197 based on the forward exchange rates at August 31, 2016. An increase in the forward sell rates of the U.S. dollar by 5% would further decrease the fair value of these forward exchange contracts by $164,000.

Foreign exchange translation gains or losses arising on consolidation of the Company's subsidiaries in Chile and India and its joint venture in China are recorded as accumulated other comprehensive income which is a component of shareholders' equity. As at August 31, 2016 the accumulated unrealized foreign currency translation gains on the consolidation of these investments is $815,081 (November 30, 2015 - $1,078,494). The net translation loss of $263,413 for the year to date of fiscal 2016 is primarily the result of a weakening of the Chinese yuan offset by a strengthening of the Chilean peso against the Canadian dollar.

Xuzhou-PAT Control Technologies Limited (XPCT)

The Company owns a 50% joint venture interest in XPCT, an ITS products and manufacturing service provider in China. XPCT has two business divisions providing products and services to both the ITS industry and construction equipment manufacturers. As a distributor for the Company's ITS manufactured goods, XPCT provides a strategic advantage to the Company to increase sales in the Chinese market.

The Company's share of XPCT reported earnings in the third quarter of fiscal 2016 was $65,165 (2015 - $399,670) and year to date was $189,858 (2015 - $473,198). Wire harness profitability for the year to date is consistent with the prior year period. However, the Company currently has only a limited number of traffic sales projects underway. Third quarter earnings in the prior year were also higher as the Company recorded an after tax gain on sale of land and a building of $167,577.

In offset to earnings, the carrying value of this investment has decreased by $419,248 for year-to-date 2016 (2015 - increase $661,749) due to a decline in the value of the Chinese yuan against the Canadian dollar.

The Company remains confident that future growth opportunities will arise from the Government of China's five year economic plan which calls for significant investment in infrastructure projects.

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, 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.

For the nine months ended August 31, 2016 the Company has recorded estimated income taxes payable in each of the Canada and United States and Latin America and Mexico business segments based on statutory rates applicable to those jurisdictions, adjusted for non-taxable or non-deductible items and net of applied investment tax credit balances available to offset income taxes otherwise payable. 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.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at August 31, 2016 was $3,109,755 (November 30, 2015 – $1,833,703) which includes cash held in the Company's foreign subsidiaries of $3,107,132 (November 30, 2015 – $1,832,147). Cash held in the subsidiaries is used to support current and future operations. Cash in foreign jurisdictions may be subject to additional taxation at the time the funds are transferred out of the local jurisdiction.

The Company's principal sources of capital are cash flows from operations and borrowings under its bank credit facilities. The Company's principal uses of cash are for financing working capital, research and development, capital expenditures and debt repayments. As at August 31, 2016 working capital balances increased to $13,277,862 (November 30, 2015 – $11,301,215) representing an improved working capital ratio (see Non-IFRS measures) of 1.70 (November 30, 2015 – 1.64).

Condensed Statement of Cash Flows

	Three Months Ended August 31		Nine Months Ended August 31	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net earnings	**1,410,225**	1,458,315	**2,235,031**	1,752,442
Non-cash items	**703,269**	182,654	**1,362,148**	761,530
Net funds flow from operations[1]	**2,113,494**	1,640,969	**3,597,179**	2,513,972
Changes in non-cash working capital	**1,067,667**	(4,173,459)	**(1,046,338)**	(3,645,431)
Income tax paid (recovered)	**(75,094)**	(28,289)	**35,407**	142,979
Interest paid	**(66,799)**	(98,043)	**(220,977)**	(309,718)
Operating cash flows	**3,039,268**	(2,658,822)	**2,365,271**	(1,298,198)
Investing cash flows	**(436,863)**	(261,783)	**(948,089)**	(515,772)
Financing cash flows	**(1,777,774)**	2,280,688	**(121,384)**	1,401,580
Increase (decrease) in cash	**824,631**	(639,917)	**1,295,798**	(412,390)
Exchange rate changes on foreign currency cash balances	**80,494**	(54,088)	**(19,746)**	32,235
Cash, beginning of period	**2,204,630**	1,713,182	**1,833,703**	1,399,332
Cash, end of period	**3,109,755**	1,019,177	**3,109,755**	1,019,177

[1]See Non-IFRS Measures

Operating Cash Flows

Net funds flow from operations for the third quarter of fiscal 2016 were $2,113,494 (2015 - $1,640,969). For the year to date, net funds flow from operations were $3,597,179 (2015 - $2,513,972). The most significant change is due to higher profitability in fiscal 2016.

The increase in non-cash working capital in the third quarter of fiscal 2016 of $1,067,667 (2015 - decrease $4,173,459) was due to a reduction in accounts receivable and inventories, increases in accounts payable and accrued liabilities, and an increase in deferred revenues offset by an increase in unbilled revenues and prepaid expenses and deposits. For the year to date, the net decrease in non-cash working capital was $1,046,338 (2015 - decrease $3,645,431). Operating cash flows may vary significantly between periods due to changes in working capital balances.

Investing Cash Flows

Investing cash flows in the third quarter of fiscal 2016 consist of net additions to property, plant and equipment of $447,714 (2015 – $261,783) and year to date net additions of $913,319 (2015 – $515,772) which comprise investments in computer equipment, vehicles, and operations equipment. Additions to intangible assets for the year to date are $34,770 (2015 - $nil).

Financing Cash Flows

Financing cash flows for the year to date of fiscal 2016 include a decrease in bank indebtedness of $172,255 (2015 – increase $1,452,467), repayment of long-term debt of $96,429 (2015 – $96,429) and proceeds from the issuance of capital stock of $147,300 (2015 – $45,542).

Capital Resources

The Company manages its capital structure with a mix of debt, equity and other credit facilities and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust the capital structure, the Company may assume more debt, issue new shares, purchase and cancel shares previously issued, return capital to shareholders, or sell assets to reduce debt.

The Company has a revolving credit facility with HSBC Bank Canada (HSBC) of $9.5 million which may be borrowed by way of banker's acceptances at prevailing market rates or by way of U.S. dollar advances to a maximum of U.S. $6.3 million. Borrowings on this facility are restricted to the lesser of $9.5 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 $3.0 million. As at August 31, 2016 the Company has letters of credit issued of $60,000 (2015 - nil) against this facility leaving approximately $5.2 million 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 as at August 31, 2016 of $36.4 million (November 30, 2015 - $34.9 million). The Company's subsidiaries in the United States, Chile and India have provided corporate guarantees as security. This credit facility is subject to annual review and renewal by HSBC.

The Company also has a long-term loan with HSBC, repayable in quarterly installments of $32,143 which is secured by a general security agreement on the assets of the Company in Canada and guaranteed by Export Development Canada (EDC). In addition, the Company has a credit facility of U.S. $500,000 to finance construction of certain operating assets. As at August 31, 2016 no amount was drawn on this facility.

The Company is subject to covenants on its credit facility and long-term debt with HSBC as more fully described in its most recent Management Discussion and Analysis for the year ended November 30, 2015.

During the three months ended August 31, 2016 there have been no changes in these covenant requirements. At August 31, 2016 the Company is in compliance with all covenants on its credit facilities.

The Company has an additional credit facility of U.S. $2.0 million with HSBC for the support of performance guarantees provided by the Company and its subsidiaries, secured by EDC to May 31, 2017. At August 31, 2016 performance guarantees totaling $85,086 (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 August 31, 2016 the Canadian dollar value of these performance guarantees in Chile totaled $420,801 (November 30, 2015 - $1,192,395).

Contractual Obligations

As at August 31, 2016, the Company has identified the following contractual obligations:

	Total	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
	$	$	$	$	$
Bank indebtedness	3,787,513	3,787,513	-	-	-
Accounts payable and accrued liabilities	9,329,872	9,329,872	-	-	-
Long-term debt	674,999	128,572	257,144	257,144	32,139
Operating Leases	3,833,514	579,000	1,158,000	1,158,000	938,514
	17,625,898	13,824,957	1,415,144	1,415,144	970,653

Bank indebtedness, as described in the Capital Resources section in this document, is payable upon demand.

Leases represent annual lease obligations of $579,000 related to base rent and certain operating expenses of the Company's Saskatoon premises which expire on April 14, 2023.

As at August 31, 2016, management believes that the Company has adequate cash flows from operations and capital resources to meet its contractual obligations.

Off Balance Sheet Arrangements

As at August 31, 2016 and November 30, 2015 the Company has identified the following off balance sheet arrangements:

- Operating lease commitments as described above.
- A loan guarantee in the amount of 8.5 million yuan (approximately $1.7 million) (November 30, 2015 - 10.0 million yuan or approximately $2.1 million) for 50% of a bank loan to XPCT representing the Company's proportionate interest in this entity.

As at August 31, 2016 the Company had five forward exchange contracts of $500,000 each to sell U.S. dollars. As at November 30, 2015 there were no derivative financial instruments outstanding.

RELATED PARTIES

Subsidiaries

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 section.

Investment in Joint Venture

Investment in joint venture comprises a 50% interest in XPCT, an ITS products and manufacturing service provider in China. During the quarter, the Company had sales to XPCT of $nil (2015 - $nil) and $290,150 for the nine months ended August 31, 2016 (2015 - $282,450). At August 31, 2016 accounts receivable from XPCT was $7,298 (November 30, 2015 - $15,820).

Key management personnel and directors' compensation

Key management personnel are the executive officers of the Company. In addition to salaries and benefits, key management personnel participate in the Company's share option program and, in event of termination, are entitled to termination benefits ranging from 18 to 24 months' gross salary. Upon resignation executive officers are subject to a notice term of six months. Certain executive officers are employed through corporate entities. Key management personnel compensation, including share-based compensation during the third quarter of fiscal 2016 and year to date was $774,980 (2015 - $772,780) and $1,322,885 (2015 - $1,311,165) respectively. Additionally, directors' compensation for the same periods were $35,750 (2015 - $25,750) and $109,750 (2015 - $90,250).

OUTSTANDING SHARE AND OPTION DATA

At August 31, 2016 the Company had 14,764,760 (November 30, 2015 – 14,398,462) common shares outstanding. During the nine months ended August 31, 2016 366,298 (2015 – 126,590) shares were issued by the Company of which 362,500 (2015 – 116,667) were issued on the exercise of stock options and 3,798 (2015 – 9,923) shares as directors' compensation. A total of 115,000 shares were issued between August 31, 2016 and October 12, 2016 on the exercise of stock options.

At August 31, 2016 the Company had 1,281,500 (November 30, 2015 – 1,614,000) share purchase options outstanding entitling the holders to purchase one common share for each option held at a weighted average exercise price of $0.86 per share expiring on various dates up to July 31, 2021.

CRITICAL ACCOUNTING ESTIMATES

In the preparation of these interim condensed consolidated financial statements, various estimates are required, which are either subjective, could be materially different under different conditions or using different assumptions, or which require complex judgments. The critical accounting estimates and judgments used in preparing the Company's interim condensed consolidated financial statements have not changed from those described in the 2015 annual audited consolidated financial statements and Management Discussion and Analysis for the year ended November 30, 2015.

SIGNIFICANT ACCOUNTING POLICIES

The Company's interim condensed consolidated financial statements have been prepared in accordance with IFRS using the same accounting policies and methods of computation as the Company's annual audited consolidated financial statements for the year ended November 30, 2015. There have been no material changes to the Company's accounting policies during the three months ended August 31, 2016.

Recent Accounting Pronouncements Not Yet Adopted

Recent accounting pronouncements which may be applicable to subsequent reporting periods and not yet adopted at August 31, 2016 have not significantly changed from those described in the Company's Management Discussion and Analysis 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.

FINANCIAL INSTRUMENTS AND OTHER RISKS

The Company's financial instruments consist of cash, accounts receivable, embedded derivative assets, forward exchange contracts, unbilled revenue, bank indebtedness, accounts payable and accrued liabilities and long-term debt. The financial instruments are exposed primarily to three types of risk: credit risk, currency fluctuation risk, and liquidity risk as identified in note 16 of the interim condensed consolidated financial statements as of August 31, 2016, note 17 of the annual audited consolidated financial statements as of November 30, 2015, and in the Management Discussion and Analysis for the year ended November 30, 2015. In addition, the Company has identified additional risk in the areas of technology, government programs funding and operations which are also more fully described in the Management Discussion and Analysis for the year ended November 30, 2015.

The Company has elected not to follow hedge accounting and all derivative contracts are marked to market with resulting net gains or losses recognized in the statement of earnings.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that material information required to be disclosed by the Company is identified and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, in order to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

As of November 30, 2015, an evaluation was carried out on the effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and financial statement compliance with IFRS. Based on the evaluation performed at that time, the Chief Executive Officer and Chief Financial Officer concluded they were able to certify that the design and operating effectiveness of internal control over financial reporting were effective.

There have been no changes in the Company's internal control over financial reporting during the three months ended August 31, 2016 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

SELECTED QUARTERLY RESULTS

Following is a table of operating results (in $000's except for earnings (loss) per share) for the eight most recently completed quarters. Quarterly operating results may fluctuate throughout any fiscal year and not be comparable sequentially, or to same prior year results, due to a number of factors including the timing of project awards, product delivery schedules, product mix, the impact of seasonal weather conditions on project installation schedules, and the fact that the timing and completion of projects is often at the discretion of construction contractors and customers. With the Canada and United States segment currently the largest source of consolidated revenue for the Company, seasonal weather conditions in North America may impact installation work for certain projects. Thus the first quarter of a fiscal year is often the weakest compared to the balance of the fiscal year.

The past eight quarter results have demonstrated the Company's success in delivering an increasing number and dollar value of projects, mainly in its Canada and United States segment, resulting in revenue growth and solid EBITDA[1] and net earnings. In addition, since the majority of the Company's sales are in U.S. dollars, the increased value of the U.S. dollar compared to the Canadian dollar and Chilean peso over this time period has contributed to this growth.

Although quarterly results are not readily comparable due to factors noted above, over the past eight quarters, the Company has recorded significant profitability in the third quarters of 2016 and 2015 relative to other quarters in this time period. For the third quarter of 2016, the Company's strong growth in net earnings and earnings per share reflects its success across all its market segments arising from an increased number of contracted projects, higher service and maintenance revenues and a large high margin product sale in the Latin America and Mexico segment. Similarly, the strong growth in net earnings and earnings per share in the third quarter of 2015 was due to several factors including; a significant increase in project revenues realized in this quarter, foreign currency gains due to further increase in the U.S. dollar compared to the Canadian dollar and Chilean peso, and higher XPCT earnings which included a sale of this entity's land and building.

Higher earnings in the Canada and United States segment in the current fiscal year and over the past eight quarters have been offset, in part, by lower earnings in Latin America and Mexico which were affected by strategic pricing decisions taken on certain contracts and delays in project execution. In addition, India has incurred operating losses over this time period due to a decision to reduce the level of business activity in this segment.

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Average USD:CAD Foreign Exchange Rate	*1.30*	*1.30*	*1.39*	*1.32*	*1.28*	*1.24*	*1.20*	*1.12*
	$	$	$	$	$	$	$	$
Revenue	18,256	15,285	14,898	16,244	18,086	12,964	10,697	11,319
EBITDA [1]	2,176	786	847	1,194	2,188	765	252	552
Net earnings (loss)	1,410	368	457	779	1,458	337	(43)	465
Earnings (loss) per share								
- Basic	0.10	0.03	0.03	0.05	0.10	0.02	(0.00)	0.03
- Diluted	0.09	0.02	0.03	0.05	0.10	0.02	(0.00)	0.03

[1] See Non-IFRS Measures

NON-IFRS MEASURES

The Company reports its financial results in accordance with IFRS. The Company has also included in its Quarterly and Annual Reports certain non-IFRS financial measures – Working Capital, EBITDA, and Net Funds Flow from Operations as defined below.

Working Capital

"Working Capital" is defined as current assets minus current liabilities.

"Working Capital Ratio" is defined as current assets divided by current liabilities.

EBITDA

"EBITDA" means earnings before interest, income taxes, depreciation and amortization and includes gains or losses from foreign exchange and derivatives and earnings or losses from the Company's equity accounted investments. EBITDA is not a recognized measure under IFRS. Management believes that EBITDA is a useful supplemental measure to net earnings as it provides investors with an indication of operating performance prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS, as an indicator of the Company's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Company's method of calculating EBITDA may differ from the methods by which other companies calculate EBITDA and, accordingly, EBITDA may not be comparable to measures used by other companies.

The following is a reconciliation of Net earnings to EBITDA:

	Three Months Ended August 31		Nine Months Ended August 31	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net earnings	**1,410,225**	1,458,315	**2,235,031**	1,752,442
Depreciation and amortization expense	**139,311**	125,881	**386,624**	449,218
Interest expense	**56,548**	94,929	**217,136**	306,913
Income tax expense	**569,427**	509,268	**969,627**	697,100
EBITDA	**2,175,511**	**2,188,393**	**3,808,418**	**3,205,673**

Net Funds Flow from Operations

"Net funds flow from operations" means net earnings adjusted for changes in embedded derivatives, depreciation and amortization, bad debt expense, share-based compensation, XPCT earnings, interest expense, loss (gain) on disposal of property plant and equipment, investment tax credits earned and income tax expense. Management believes that "net funds flow from operations" is a useful measure of cash flows from operations excluding the normal business fluctuations in the levels of other operating items. The Company's method of calculating Net Funds Flow from Operations may differ from the methods by which other companies calculate Net Funds Flow from Operations and, accordingly, Net Funds Flow from Operations may not be comparable to measures used by other companies.

–

This Management Discussion & Analysis (MDA) report contains forward-looking statements about the Company, including its business operations, strategy and expected financial performance and conditions. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or contain words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "forecasts", or negative versions thereof and other similar expressions, or future or conditional future financial performance, on-going business strategies or prospects, and possible future action by the Company. Forward looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, the general economic environment and ITS industry, business conditions in all geographic areas where the Company carries on business, interest and foreign exchange rates, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, *technological changes, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's success in managing the foregoing risks. Readers are cautioned, to consider these and other factors carefully and not place undue reliance on forward-looking statements. Forward-looking information contained in this report is based on management's current estimates, expectations and projections, which management believes are reasonable as of October 12, 2016. However, actual future operating results and economic performance could differ materially from what is currently expected. While the Company may elect to, it is under no obligation and does not undertake to update any forward-looking statements at any particular time, unless required by applicable securities law.*

Additional information on the Company, including our most recently filed Annual Information Form can be found on SEDAR at www.sedar.com.