

INTERNATIONAL ROAD DYNAMICS INC.

Consolidated Balance Sheet

August 31, 2004, with comparative figures for November 30, 2003

"Unaudited"

| | August 31 | November 30 |
|---|---------------|---------------|
| | 2004 | 2003 |
| Assets | | |
| Current assets: | | |
| Cash | \$ 518,257 | \$ 921,943 |
| Accounts receivable | 11,366,264 | 12,557,929 |
| Inventory | 5,086,101 | 4,555,876 |
| Investment tax credits recoverable | - | 715,000 |
| Prepaid expenses and deposits | 414,441 | 189,917 |
| | 17,385,063 | 18,940,665 |
| Investment tax credit recoverable | 3,064,000 | 1,739,000 |
| Property, plant and equipment | 4,617,089 | 4,578,574 |
| Intangible assets | 228,792 | 285,698 |
| Equity investment | 61,772 | - |
| | \$ 25,356,716 | \$ 25,543,937 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities: | | |
| Short-term loans | \$ 6,245,758 | \$ 4,835,000 |
| Accounts payable and accrued liabilities | 2,940,211 | 3,354,169 |
| Current income taxes | 212,458 | 89,666 |
| Deferred revenue | 260,000 | 265,480 |
| Future income taxes | 557,000 | 881,000 |
| Current portion of long-term debt | 68,000 | 67,900 |
| | 10,283,427 | 9,493,215 |
| Long-term debt - net | 1,143,594 | 1,199,892 |
| Deferred revenue | 348,453 | 575,729 |
| Future income taxes | 407,000 | 744,000 |
| | 12,182,474 | 12,012,836 |
| Shareholders' Equity: | | |
| Share capital | 11,758,139 | 11,571,863 |
| Retained earnings | 1,416,103 | 1,959,238 |
| | 13,174,242 | 13,531,101 |
| | \$ 25,356,716 | \$ 25,543,937 |

INTERNATIONAL ROAD DYNAMICS INC.

Interim Consolidated Statement of Operations and Retained Earnings

"Unaudited"

| | Three months ended August 31 | | Nine months ended August 31 | |
|--|------------------------------|--------------|-----------------------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| Sales | \$ 8,745,473 | \$ 6,205,487 | \$ 22,962,422 | \$ 18,451,964 |
| Cost of sales | 6,147,334 | 3,863,292 | 16,697,578 | 11,832,632 |
| | 2,598,139 | 2,342,195 | 6,264,844 | 6,619,332 |
| Administrative and marketing expenses | 2,069,630 | 1,627,724 | 5,701,456 | 4,826,438 |
| Operating earnings | 528,509 | 714,471 | 563,388 | 1,792,894 |
| Research and development | 374,267 | 208,043 | 871,942 | 608,889 |
| Earnings before undernoted items | 154,242 | 506,428 | (308,554) | 1,184,005 |
| Other expenses (income) | | | | |
| Foreign exchange loss (gain) | 148,163 | (98,182) | (159,511) | 386,842 |
| Amortization | 212,268 | 178,683 | 641,330 | 523,677 |
| Interest on short-term debt | 59,142 | 26,819 | 174,173 | 44,301 |
| Interest on long-term debt | 19,579 | 21,744 | 63,344 | 65,238 |
| Interest and other income | (3,582) | (2,213) | (38,724) | (10,678) |
| | 435,570 | 126,851 | 680,612 | 1,009,380 |
| Net earnings (loss) before income taxes | (281,328) | 379,577 | (989,166) | 174,625 |
| Provision for income taxes | | | | |
| Current | 142,670 | - | 214,969 | - |
| Future (recovery) | (236,000) | 109,000 | (661,000) | 41,000 |
| | (93,330) | 109,000 | (446,031) | 41,000 |
| Net earnings (loss) for the period | (187,998) | 270,577 | (543,135) | 133,625 |
| Retained earnings, beginning of period | 1,604,101 | 1,168,931 | 1,959,238 | 1,352,697 |
| Shares repurchased in excess of book value | - | (11,259) | - | (58,073) |
| Retained earnings, end of period | \$ 1,416,103 | \$ 1,428,249 | \$ 1,416,103 | \$ 1,428,249 |
| Earnings per share - basic | \$ (0.01) | \$ 0.02 | \$ (0.04) | \$ (0.01) |
| - diluted | \$ (0.01) | \$ 0.02 | \$ (0.04) | \$ (0.01) |

INTERNATIONAL ROAD DYNAMICS INC.

Interim Consolidated Statement of Cash Flows

"Unaudited"

| | Three months ended August 31 | | Nine months ended August 31 | |
|--|------------------------------|-------------|-----------------------------|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| Cash provided by (used in): | | | | |
| Operations: | | | | |
| Net earnings (loss) | \$ (187,998) | \$ 270,577 | \$ (543,135) | \$ 133,625 |
| Items not involving cash: | | | | |
| Amortization | 212,268 | 207,683 | 641,330 | 552,677 |
| Issue of common shares for expenses | - | 25,224 | 21,489 | 40,543 |
| Provision for future income taxes | (236,000) | 109,000 | (661,000) | 41,000 |
| | (211,730) | 612,484 | (541,316) | 767,845 |
| Change in non-cash working capital: | | | | |
| Accounts receivable | (480,518) | 1,393,467 | 1,191,665 | 2,998,353 |
| Investment tax credits recoverable | (140,000) | (190,000) | (610,000) | (525,000) |
| Inventory | 270,857 | (68,955) | (530,225) | (23,656) |
| Prepaid expenses and deposits | (29,122) | (14,802) | (224,524) | (59,005) |
| Accounts payable and accrued liabilities | (885,965) | (137,620) | (413,958) | (1,024,455) |
| Current income taxes payable | 119,167 | (5,087) | 122,792 | (25,500) |
| Deferred revenue | (36,053) | (41,445) | (232,756) | (219,007) |
| | (1,393,364) | 1,548,042 | (1,238,322) | 1,889,575 |
| Financing: | | | | |
| Net short-term loans | 1,604,301 | 2,086,670 | 1,410,758 | 2,851,668 |
| Issuance (repayment) of long-term debt | (22,433) | (17,058) | (56,198) | (84,380) |
| Issue share capital | - | 17,265 | 164,787 | 47,665 |
| Repurchase share capital | - | (72,603) | - | (341,968) |
| | 1,581,868 | 2,014,274 | 1,519,347 | 2,472,985 |
| Investing: | | | | |
| Additions to property, plant and equipment | (125,772) | (156,596) | (622,939) | (776,622) |
| Business Acquisition | - | (3,171,804) | - | (3,171,804) |
| Equity investment | - | - | (61,772) | - |
| | (125,772) | (3,328,400) | (684,711) | (3,948,426) |
| Increase (decrease) in cash | 62,732 | 233,916 | (403,686) | 414,134 |
| Cash, beginning of period | 455,525 | 536,319 | 921,943 | 356,101 |
| Cash, end of period | \$ 518,257 | \$ 770,235 | \$ 518,257 | \$ 770,235 |
| Supplemental cash flow disclosure: | | | | |
| Interest paid | \$ 78,721 | \$ 26,466 | \$ 237,517 | \$ 60,822 |

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended August 31, 2004, with comparative figures for November 30, 2003

"Unaudited"

1. Significant accounting policies

The interim consolidated financial statements of International Road Dynamics Inc. have been prepared by management and are based on the same accounting policies as, and should be read in conjunction with the most recent audited annual consolidated financial statements as of November 30, 2003. Certain footnote information has been condensed or omitted where there has been no material change from the most recent annual audited consolidated financial statements.

2 Share capital:

| | Number of shares | \$ amount |
|--|---------------------|-------------------|
| Balance, November 30, 2003 | 13,566,177 | 11,571,863 |
| Shares issued in exchange for expenses | 17,056 | 21,489 |
| Shares issued for employee stock options exercised | 140,667 | 164,787 |
| Balance, August 31, 2004 | <u>13,723,900</u> | <u>11,758,139</u> |

There are currently 1,127,000 stock options outstanding; each of which may be exercised to purchase one common share of the Company at prices ranging from \$0.95 to \$1.60 per share.