

INTERNATIONAL ROAD DYNAMICS INC.

Notice Of No Auditor Review of Interim Consolidated Financial Statements

Period Ended August 31, 2007

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

October 4, 2007

[Signed]
Terry Bergan
Chief Executive Officer

[Signed]
Mel Karakochuk
Chief Financial Officer

INTERNATIONAL ROAD DYNAMICS INC.

Interim and Annual Consolidated Balance Sheets

August 31, 2007 with comparative figures for November 30, 2006

	2007 "Unaudited"	2006 Audited
Assets		
Current assets:		
Cash	\$ 1,394,439	\$ 500,118
Accounts receivable	10,062,675	15,841,680
Inventory	7,701,238	5,305,854
Future income taxes	453,000	453,000
Prepaid expenses and deposits	376,740	248,906
	<u>19,988,092</u>	<u>22,349,558</u>
Investment tax credit recoverable	4,593,899	4,253,000
Property, plant and equipment	6,939,619	4,692,123
Intangible assets	248,198	58,621
Equity investment	825,688	405,688
	<u>\$ 32,595,496</u>	<u>\$ 31,758,990</u>
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term loans	\$ 5,416,080	\$ 6,197,429
Accounts payable and accrued liabilities	3,439,404	3,876,891
Current income taxes payable	732,230	309,155
Deferred revenue	49,160	267,830
Current portion of long-term debt	2,960,000	1,747,022
	<u>12,596,874</u>	<u>12,398,327</u>
Long-term debt	1,471,873	2,025,723
Deferred revenue	189,516	182,081
Future income taxes	1,589,328	1,827,000
	<u>15,847,591</u>	<u>16,433,131</u>
Shareholders' Equity:		
Share capital (note 3)	11,992,169	11,916,682
Contributed surplus (note 4)	145,343	140,843
Accumulated other comprehensive income	(129,570)	(72,425)
Retained earnings	4,739,963	3,340,759
	<u>16,747,905</u>	<u>15,325,859</u>
	<u>\$ 32,595,496</u>	<u>\$ 31,758,990</u>

INTERNATIONAL ROAD DYNAMICS INC.

Interim Consolidated Statement of Earnings and Retained Earnings

"Unaudited"

	Three months ended August 31		Nine months ended August 31	
	2007	2006	2007	2006
Sales	\$ 10,398,812	\$ 9,147,334	\$ 29,819,027	\$ 22,670,553
Cost of sales	7,254,582	6,412,563	20,396,466	15,516,793
	3,144,230	2,734,771	9,422,561	7,153,760
Administrative and marketing expenses	1,990,206	1,753,064	6,257,922	5,207,839
	1,154,024	981,707	3,164,639	1,945,921
Research and development (net)	261,579	155,514	494,534	450,224
Earnings before undernoted items	892,445	826,193	2,670,105	1,495,697
Other expenses (income)				
Foreign exchange loss (gain)	(19,077)	3,669	(28,535)	(64,697)
Amortization	287,943	169,023	739,290	504,539
Interest on short-term debt	101,277	47,007	317,617	195,834
Interest on long-term debt	63,866	51,415	176,767	107,355
Interest and other income	(23,151)	(2,755)	(74,483)	(34,204)
Income from equity investment	(50,000)	(8,200)	(420,000)	(153,200)
	360,858	260,159	710,656	555,627
Earnings before income taxes	531,587	566,034	1,959,449	940,070
Provision for (recovery of) income taxes				
Current	398,293	81,654	797,917	396,106
Future (recovery)	(164,492)	122,300	(237,672)	(156,200)
	233,801	203,954	560,245	239,906
Net earnings for the period	297,786	362,080	1,399,204	700,164
Retained earnings, beginning of period	4,442,177	2,222,507	3,340,759	1,884,423
Retained earnings, end of period	\$ 4,739,963	\$ 2,584,587	\$ 4,739,963	\$ 2,584,587
Earnings per share - basic	\$ 0.02	\$ 0.03	\$ 0.10	\$ 0.05
- diluted	\$ 0.02	\$ 0.03	\$ 0.10	\$ 0.05

INTERNATIONAL ROAD DYNAMICS INC.

Interim Consolidated Statement of Cash Flows

"Unaudited"

	Three months ended August 31		Nine months ended August 31	
	2007	2006	2007	2006
Cash provided by (used in):				
Operations:				
Net earnings	\$ 297,786	\$ 362,080	\$ 1,399,204	\$ 700,164
Items not involving cash:				
Amortization	287,943	169,023	739,290	504,539
Shares issued in exchange for expenses	13,934	5,000	39,712	43,535
Stock-based compensation	3,825	15,927	11,475	15,000
Income from equity investment	(50,000)	(8,200)	(420,000)	(153,200)
Recovery of future income taxes	(164,491)	122,300	(237,671)	(156,200)
Investment tax credits recoverable	(102,727)	(126,000)	(340,899)	(353,000)
Deferred revenue	(440,241)	(46,763)	(211,235)	(185,009)
	(153,971)	493,367	979,876	415,829
Change in non-cash working capital:				
Accounts receivable	2,123,675	(2,193,087)	5,721,854	751,917
Inventory	(642,142)	(595,918)	(2,395,384)	(333,065)
Prepaid expenses and deposits	(87,352)	1,580	(127,834)	6,312
Accounts payable and accrued liabilities	(681,405)	1,096,260	(437,487)	(329,191)
Current income taxes payable	267,135	81,654	423,075	221,981
	825,940	(1,116,144)	4,164,100	733,783
Financing:				
Net short-term loans	315,098	(1,260,101)	(781,349)	(2,427,794)
Repayment of long-term debt	(184,749)	(286,235)	(568,849)	(577,532)
Increase in long-term debt	726,599	3,000,000	1,227,981	3,000,000
Proceeds from exercise of stock options	8,960	-	28,800	-
	865,908	1,453,664	(93,417)	(5,326)
Investing:				
Additions to property, plant and equipment	(1,225,318)	(339,009)	(2,932,415)	(679,578)
Additions to intangible assets	(26)	-	(243,947)	-
	(1,225,344)	(339,009)	(3,176,362)	(679,578)
Increase in cash	466,504	(1,489)	894,321	48,879
Cash, beginning of period	927,935	924,195	500,118	873,827
Cash, end of period	\$ 1,394,439	\$ 922,706	\$ 1,394,439	\$ 922,706
Supplemental cash flow disclosure:				
Income taxes paid	\$ 131,158	\$ 0	\$ 374,842	\$ 174,125
Interest paid	\$ 165,143	\$ 98,422	\$ 494,384	\$ 303,189

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Consolidated Financial Statements

Period ended August 31, 2007

"Unaudited"

1. Significant accounting policies

These interim financial statements are based on the same accounting policies and methods of their application as, and should be read in conjunction with, the most recent audited annual financial statements as of November 30, 2006.

The consolidated balance sheet as at August 31, 2007, and the consolidated statements of earnings and cash flow for the three months and nine months then ended have not been independently audited or reviewed, however management believes that all adjustments necessary to present these interim financial statements fairly have been included.

Prior to the adoption of the financial instruments standards at January 1, 2007, exchange gains and losses arising from the translation of the financial statements of a self-sustaining foreign operation were recorded as a foreign currency translation adjustment as a separate component to shareholders equity. Upon adoption of the new standards, the exchange gains and losses are to be recognized as accumulated other comprehensive income.

2. New Accounting Pronouncements

(a) Inventories

In May 2007, the Accounting Standards Board issued Handbook Section 3031, Inventories, which supersedes Handbook Section 3030 and converges with the IASB's recently amended standard IAS 2, *Inventories*.

The standard introduces significant changes to the measurement and disclosure of inventory. The measurement changes include; the elimination of LIFO, the requirement to measure inventories at the lower of cost and net realizable value, the allocation of overhead based on normal capacity, the use of the specific cost method for inventories that are not ordinarily interchangeable or goods and services produced for specific purposes, the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Disclosures of inventories have also been enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed.

This new standard will apply to the Company effective December 1, 2008. The Company is assessing the impact this standard will have on its consolidated financial statements.

3. Share capital:

	Number of shares	\$ amount
Balance, November 30, 2006	13,876,385	11,916,682
Shares issued in exchange for expenses	25,255	39,712
Shares issued on exercise of options	22,500	35,775
Balance, August 31, 2007	<u>13,924,140</u>	<u>11,992,169</u>

INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Consolidated Financial Statements

Period ended August 31, 2007

"Unaudited"

3. Share capital - continued

There are currently 1,297,500 stock options outstanding; each of which may be exercised to purchase one common share of the Company at prices ranging from \$1.20 to \$1.32 per share.

Under the terms of a stock option plan approved by the shareholders in May, 1997 and amended in 1998, the Company is authorized to grant directors, officers, employees and others options to purchase common shares at prices based on the market price of shares as determined on the date of the grant. At August 31, 2007, 833,165 (2006 - 1,145,665) options remain available to be granted. Stock options become exercisable at dates determined by the Compensation Committee of the Board of Directors.

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, 2006	1,092,500	\$1.27
Options granted during the period	292,500	\$1.32
Options cancelled or expired during the period	(65,000)	\$1.28
Options exercised during the period	(22,500)	\$1.28
Outstanding, August 31, 2007	1,297,500	\$1.28

At August 31, 2007, the following stock options to officers, employees and others were outstanding:

Exercise Price	Number Outstanding at August 31, 2007	Weighted-average Remaining Contractual Life (years)	Number Exercisable at August 31, 2007
\$1.20	75,000	3.25	50,000
\$1.23	100,000	3.25	66,667
\$1.26	95,000	4.25	0
\$1.28	745,000	1.50	536,250
\$1.32	282,500	4.42	0
	1,297,500		652,917

4. Contributed Surplus

Compensation costs arising from the issue of stock options are recognized as an expense over the vesting period of the options and credited to contributed surplus. When the options are exercised the fair value amount in contributed surplus is transferred to share capital.

Balance, November 30, 2006	\$ 140,843
Stock-based compensation expense for the period	11,475
Options exercised	(6,975)
Balance, August 31, 2007	\$ 145,343

INTERNATIONAL ROAD DYNAMICS INC.

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Period ended August 31, 2007

"Unaudited"

5. Segmented Information

The Company operates in one industry segment, the Intelligent Transportation Systems industry, which involves the engineering, software development, manufacturing and integration of products and systems to highway departments and industry to improve the efficiency of traffic flows.

The Company had sales in the following geographic areas:

	Three months ended August 31		Nine months ended August 31	
	2007	2006	2007	2006
Canada	\$ 1,248,149	\$ 1,553,094	\$ 4,478,106	\$ 2,851,469
United States	7,056,679	5,637,776	17,273,808	12,466,173
Offshore	2,093,984	1,956,464	8,067,113	7,352,911
	<u>\$ 10,398,812</u>	<u>\$ 9,147,334</u>	<u>\$ 29,819,027</u>	<u>\$ 22,670,553</u>

6. Comparative Figures

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