INTERNATIONAL ROAD DYNAMICS INC.
Notice of No Auditor Review of Interim Consolidated Financial Statements
Period Ended May 31, 2011

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.

July 13, 2011

[Signed]	[Signed]
Terry Bergan	Mel Karakochuk
Chief Executive Officer	Chief Financial Officer

INTERNATIONAL ROAD DYNAMICS INC.
Interim and Annual Consolidated Balance Sheets
May 31, 2011 with comparative figures for November 30, 2010

	2011 Unaudited	2010 Audited
Assets		
Current assets:		
Cash	$ 469,743	$ 667,724
Accounts receivable	10,742,730	11,079,295
Unbilled revenue	4,091,773	4,025,218
Income taxes receivable	351,693	347,442
Inventory (note 3)	6,908,168	7,187,770
Prepaid expenses and deposits	1,003,526	601,811
	23,567,633	23,909,260
Investment tax credits recoverable	3,383,034	3,267,486
Future income taxes	1,498,675	738,000
Property, plant and equipment	2,322,081	6,151,430
Equity investment (note 4)	4,557,167	5,118,780
	$ 35,328,590	$ 39,184,956
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term loans (note 5)	$ 5,331,369	$ 5,732,459
Accounts payable and accrued liabilities	5,157,779	5,360,417
Current portion of long-term debt (note 6)	2,255,520	6,328,234
Current portion of deferred income (note 7)	2,453,345	2,500,007
	15,198,013	19,921,117
Deferred income (note 7)	3,207,241	535,404
	18,405,254	20,456,521
Shareholders' equity:		
Share capital (note 8)	12,071,009	12,071,009
Contributed surplus	254,351	246,587
Retained earnings	4,643,125	6,099,579
Accumulated other comprehensive income (loss)	(45,149)	311,260
	16,923,336	18,728,435
	$ 35,328,590	$ 39,184,956

See accompanying notes to interim consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.
Interim Consolidated Statements of Earnings (Loss)
Unaudited

	Three months ended May 31 2011	Three months ended May 31 2010	Six months ended May 31 2011	Six months ended May 31 2010
Sales	$ 10,717,389	$ 11,911,910	$ 19,633,712	$ 20,446,039
Cost of sales	8,879,953	8,491,142	15,511,561	14,619,824
	1,837,436	3,420,768	4,122,151	5,826,215
Administrative and marketing expenses	2,615,868	2,607,558	4,906,208	4,718,142
	(778,432)	813,210	(784,057)	1,108,073
Research and development (net)	249,913	117,770	510,700	228,897
Earnings (loss) before other expenses (income)	(1,028,345)	695,440	(1,294,757)	879,176
Other expenses (income)				
Foreign exchange loss (gain)	11,042	(10,738)	60,572	(67,601)
Amortization	211,845	235,593	391,605	436,162
Interest on short-term debt	79,800	55,126	153,467	111,761
Interest on long-term debt	72,756	107,285	166,457	222,886
Other expense (income)	(63,528)	9,498	(65,979)	(405)
XPCT (note 4)	(94,728)	(6,269)	(34,970)	108,592
	217,187	390,495	671,152	811,395
Earnings (loss) before income taxes	(1,245,532)	304,945	(1,965,909)	67,781
Provision for (recovery of) income taxes				
Current	68,933	28,318	251,220	80,999
Future	(524,524)	19,000	(760,675)	(90,000)
	(455,591)	47,318	(509,455)	(9,001)
Net earnings (loss) for the period	$ (789,941)	$ 257,627	$ (1,456,454)	$ 76,782
Earnings (loss) per share				
Basic	$ (0.05)	$ 0.02	$ (0.10)	$ 0.01
Diluted	$ (0.05)	$ 0.02	$ (0.10)	$ 0.01

Interim Consolidated Statements of Comprehensive Income (Loss)

	Three months ended May 31 2011	Three months ended May 31 2010	Six months ended May 31 2011	Six months ended May 31 2010
Net earnings (loss)	$ (789,941)	$ 257,627	$ (1,456,454)	$ 76,782
Other comprehensive loss				
Unrealized foreign currency translation loss	(43,460)	(136,303)	(356,409)	(293,846)
Total comprehensive income (loss)	$ (833,401)	$ 121,324	$ (1,812,863)	$ (217,064)

See accompanying notes to interim consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.
Interim Consolidated Statements of Shareholders' Equity
Unaudited

	Three months ended May 31		Six months ended May 31	
	2011	2010	2011	2010
Share capital (note 8):				
Balance, beginning and end of period	$ 12,071,009	$ 12,071,009	$ 12,071,009	$ 12,071,009
Contributed surplus:				
Balance, beginning of period	$ 250,469	$ 228,743	$ 246,587	$ 222,795
Fair value of stock options granted	3,882	5,948	7,764	11,896
Balance, end of period	$ 254,351	$ 234,691	$ 254,351	$ 234,691
Retained earnings:				
Balance, beginning of period	$ 5,433,066	$ 5,468,832	$ 6,099,579	$ 5,649,677
Net earnings (loss)	(789,941)	257,627	(1,456,454)	76,782
Balance, end of period	$ 4,643,125	$ 5,726,459	$ 4,643,125	$ 5,726,459
Accumulated other comprehensive income (loss):				
Balance, beginning of period	$ (1,689)	$ 347,180	$ 311,260	$ 504,723
Other comprehensive loss	(43,460)	(136,303)	(356,409)	(293,846)
Balance, end of period	$ (45,149)	$ 210,877	$ (45,149)	$ 210,877
Total retained earnings and accumulated other comprehensive income	$ 4,597,976	$ 5,937,336	$ 4,597,976	$ 5,937,336
Total shareholders' equity	$ 16,923,336	$ 18,243,036	$ 16,923,336	$ 18,243,036

Accumulated other comprehensive income (loss) is comprised solely of net unrealized foreign currency translation gains (losses).

See accompanying notes to interim consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.
Interim Consolidated Statements of Cash Flows
Unaudited

	Three months ended May 31		Six months ended May 31	
	2011	2010	2011	2010
Cash provided by (used in):				
Operations:				
Net earnings (loss)	$ (789,941)	$ 257,627	$ (1,456,454)	$ 76,782
Items not involving cash:				
Amortization	211,845	235,593	391,605	436,162
Fair value of stock options granted	3,882	5,948	7,764	11,896
XPCT	(94,728)	(6,269)	(34,970)	108,592
Future income taxes recoverable	(524,524)	19,000	(760,675)	(90,000)
Investment tax credits recoverable	(81,281)	(105,976)	(115,548)	(170,676)
Deferred revenue (note 7)	372,328	(183,037)	(378,506)	(391,169)
Deferred gain on sale of property (note 7)	(31,617)	-	(31,617)	-
Other operating items (note 10)	(479,443)	(632,630)	(49,253)	(964,929)
	(1,413,479)	(409,744)	(2,427,654)	(983,342)
Financing:				
Net short-term loans	(1,968,899)	1,062,140	(401,090)	2,117,027
Repayment of long-term debt	(2,851,224)	(422,065)	(3,772,714)	(837,743)
	(4,820,123)	640,075	(4,173,804)	1,279,284
Investing:				
Net proceeds on sale of property	6,516,625	-	6,516,625	-
Net additions to property, plant and equipment	(70,765)	(342,220)	(113,148)	(401,848)
	6,445,860	(342,220)	6,403,477	(401,848)
Increase (decrease) in cash	212,258	(111,889)	(197,981)	(105,906)
Cash, beginning of period	257,485	1,166,110	667,724	1,160,127
Cash, end of period	$ 469,743	$ 1,054,221	$ 469,743	$ 1,054,221

Supplemental cash flow disclosure:				
Interest paid	$ 152,556	$ 144,911	$ 319,924	$ 299,647
Income taxes paid	$ 32,912	$ 39,564	$ 153,519	$ 292,405

See accompanying notes to interim consolidated financial statements.

1. Significant accounting policies:

These interim consolidated 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 consolidated financial statements for the year ended November 30, 2010.

The interim consolidated balance sheet as at May 31, 2011, and the interim consolidated statements of earnings (loss), comprehensive loss, shareholders' equity, and cash flows for the six months then ended have not been independently audited or reviewed, however management believes that all adjustments necessary to present these interim consolidated financial statements fairly have been included.

2. New accounting pronouncements:

The Company has not yet adopted the following accounting standards issued by the CICA and is currently reviewing these standards to determine the potential impact on its consolidated financial statements.

Business Combinations – CICA 1582; *Consolidated Financial Statements and Non-Controlling Interest* – CICA 1601 and 1602

The Accounting Standards Board has issued a series of new standards, CICA 1582, *Business Combinations*, CICA 1601, *Consolidated Financial Statements*, and CICA 1602, *Non-Controlling Interests* with the objective of harmonizing Canadian accounting for business combinations with U.S. and international standards. These standards need to be implemented concurrently and become effective December 1, 2011. In the event of a business combination, the Company will assess whether to early adopt the new accounting standards in order to minimize the amount of retroactive application when the Company adopts IFRS.

International Financial Reporting Standards (IFRS)

In February 2008, the CICA Accounting Standards Board announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective for fiscal years beginning on or after January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, differences in accounting policies will have to be addressed.

3. Inventory:

	May 31 2011	November 30 2010
Raw materials	$ 506,546	$ 673,285
Original equipment manufacturer materials	3,925,682	4,146,991
Work in process	1,994,510	1,651,166
Finished goods	1,136,927	1,312,493
Provision for excess and obsolete inventory	(655,497)	(596,165)
	$ 6,908,168	$ 7,187,770

During the quarter, inventory expensed within cost of sales was $6,348,177 (2010 - $5,466,938) and $10,658,283 for the first six months (2010 - $8,269,488). During the quarter and first six months of the year, the Company recorded inventory write downs within cost of sales of $60,000 (2010 - $25,000).

4. Equity investment:

	Three Months Ended May 31		Six Months Ended May 31	
	2011	2010	2011	2010
Xuzhou-PAT Control Technologies Limited:				
Balance - beginning of period	$ 4,450,193	$ 5,029,094	$ 5,118,780	$ 5,093,970
Currency gain (loss) on financial statement translation	12,246	(82,824)	(76,583)	(32,839)
Equity earnings (loss)	94,728	6,269	(485,030)	(108,592)
Balance - end of period	$ 4,557,167	$ 4,952,539	$ 4,557,167	$ 4,952,539

The Company had sales to Xuzhou-PAT Control Technologies Limited of $741,609 during the quarter (2010 - $697,700) and $1,446,460 for the first six months (2010 - $1,069,700). At May 31, 2011 accounts receivable from Xuzhou-PAT Control Technologies Limited was $1,511,589 (2010 - $963,500).

	Three Months Ended May 31		Six Months Ended May 31	
	2011	2010	2011	2010
Other expenses (income) - XPCT:				
Equity loss (earnings)	$ (94,728)	$ (6,269)	$ 485,030	$ 108,592
Gain on settlement of vendor loan (note 6)	-	-	(520,000)	-
	$ (94,728)	$ (6,269)	$ (34,970)	$ 108,592

4. Equity investment – continued:

The equity loss includes charges of $507,650 for values assigned on acquisition related to receivables and inventory subject to the dispute with the vendor. In conjunction with the settlement of claims against the vendor as described in Note 6, the Company recorded a gain on settlement of the vendor loan in the amount of $520,000.

5. Short-term loans:

	May 31 2011	November 30 2010
Royal Bank of Canada credit facility. Authorized to a maximum of $8.5 million with interest at bank prime plus 1.25%	$ 4,321,717	$ 4,784,117
HDFC Bank Limited credit facility. Authorized to a maximum of 50.0 million Indian Rupees, of which 47.0 million Indian Rupees was drawn at May 31, 2011 with interest at 10% and secured by a standby letter of credit issued by Royal Bank of Canada and guaranteed by Export Development Canada	1,009,652	948,342
	$ 5,331,369	$ 5,732,459

6. Long-term debt:

	May 31 2011	November 30 2010
Royal Bank of Canada term loan, repayable in monthly instalments of $78,430 including interest at a fixed rate of 5.65%. Due December 31, 2013	$ 2,255,520	$ 2,656,302
Royal Bank of Canada mortgage repayable in monthly instalments of $20,906 including interest at a fixed rate of 6.144%. Due January 1, 2013	-	2,671,932
Vendor loan to finance the acquisition of XPCT, with interest payable at 7% per annum. Due December 12, 2008 - $750,000 and December 12, 2009 - $250,000	-	1,000,000
	2,255,520	6,328,234
Less current portion	2,255,520	6,328,234
	$ -	$ -

During the quarter, the Company paid down the full value of the mortgage in conjunction with the sale/leaseback transaction described in note 7.

6. Long-term debt – continued:

The Company's short-term loans and term loan with the Royal Bank of Canada are secured by a general security agreement on the assets of the Company held in Canada and the United States. Under the terms and conditions of its credit facilities with Royal Bank of Canada the Company is subject to certain covenants. These covenants require that the Company maintain a certain minimum level of fixed charge coverage as measured on an annual basis, and that it not exceed a certain maximum ratio of total liabilities to tangible net worth on a quarterly basis.

At November 30, 2010, the Company was not in compliance with the annual fixed charge coverage covenant; this constituted an event of default under the terms of the credit facilities, and therefore, amounts owing under the credit facilities with Royal Bank of Canada are included in the current portion of long term debt. Royal Bank of Canada has acknowledged the default and has given the Company until November 30, 2011 to remedy the default. Based on the Company's financial results for the first six months of 2011 and the forecast for the remainder of the year, management expects that the Company will continue to be in default of the fixed charge coverage covenant until November 30, 2012 and is currently carrying on discussions with Royal Bank of Canada regarding this issue. The Company is in compliance with the total liabilities to tangible net worth quarterly covenant at May 31, 2011.

While the full amount of the long-term debt has been recorded as a current liability, the following represents the aggregate scheduled principal payments over the next three years based on the current debt arrangements:

Due within 1 year	$	835,000
Due between 1 and 2 years		884,000
Due between 2 and 3 years		536,520
	$	2,255,520

In February 2011, the Company agreed to a settlement of the vendor loan associated with the XPCT acquisition in December, 2007. Under the settlement arrangement, the Company paid $700,000 of the outstanding vendor loan of $1,000,000 and accrued interest of $220,000 as final settlement of the XPCT purchase price. In addition, the Company has agreed to discontinue various claims against the vendor relating to the acquisition of XPCT.

7. Deferred income:

	May 31 2011	November 30 2010
Deferred gain on sale of property	$ 3,003,681	$ -
Deferred revenue	2,656,905	3,035,411
	5,660,586	3,035,411
Less current portion		
Deferred gain on sale of property	252,936	-
Deferred revenue	2,200,409	2,500,007
	2,453,345	2,500,007
	$ 3,207,241	$ 535,404

Deferred revenue represents payments received in advance from customers.

In April 2011, the Company sold its head office and manufacturing facility for net proceeds of $6,516,625 and recorded a deferred gain of $3,035,298 on the transaction. The Company also entered into a twelve-year net lease agreement with the purchaser of the property. The deferred gain is being amortized over the term of the lease. During the quarter the gain on sale recognized in other income was $31,617.

The following represents the aggregate scheduled payments for the term of the lease:

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	3,977,675
	$ 6,872,675

8. Share capital:

	Number of Shares	Amount
Balance, May 31, 2011 and November 30, 2010	13,998,337	$ 12,071,009

There are currently 987,500 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.

8. Share capital – continued:

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 May 31, 2011, 1,143,165 (2010 – 1,105,665) options remain available to be granted. Stock options become exercisable at dates determined by the Compensation Committee of the Board of Directors.

	Number of Common Shares Issuable	Weighted-Average Exercise Price
Outstanding, November 30, 2010	1,020,000	$1.24
Options cancelled or expired during the period	(32,500)	$1.32
Outstanding, May 31, 2011	987,500	$1.24

At May 31, 2011, the following stock options to officers, employees and others were outstanding:

Exercise Price	Number Outstanding at May 31, 2011	Weighted-average Remaining Contractual Life (years)	Number Exercisable at May 31, 2011
$1.20	600,000	7.12	550,000
$1.26	45,000	0.50	45,000
$1.29	145,000	1.92	145,000
$1.32	197,500	0.67	197,500
	987,500	4.77	937,500

9. 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 May 31		Six Months Ended May 31	
	2011	2010	2011	2010
Canada	$ 1,177,254	$ 2,548,979	$ 1,728,750	$ 3,998,037
United States	6,019,856	5,148,095	9,887,468	9,058,824
Offshore	3,520,279	4,214,836	8,017,494	7,389,178
Total	$ 10,717,389	$ 11,911,910	$ 19,633,712	$ 20,446,039

10. Statement of cash flows:

Other operating items

	Three months ended May 31		Six months ended May 31	
	2011	2010	2011	2010
Accounts receivable	$ (918,284)	$ (290,804)	$ 56,739	$ 1,614,430
Unbilled revenue	(48,316)	455,983	(66,555)	375,753
Income taxes receivable	(35,697)	-	(4,251)	-
Inventory	352,808	(251,949)	349,167	(1,218,231)
Prepaid expenses and deposits	(213,297)	(293,340)	(401,715)	(365,600)
Accounts payable and accrued liabilities	383,343	(241,274)	17,362	(1,159,875)
Income taxes payable	-	(11,246)	-	(211,406)
	$ (479,443)	$ (632,630)	$ (49,253)	$ (964,929)

11. Financial assets and liabilities:

The Board of Directors is responsible to ensure that management identifies the principal risks of the Company's business and for the implementation of appropriate measures for dealing with and managing these risks. The principal risks and the measures for managing these risks are as discussed in the audited annual consolidated financial statements as of November 30, 2010 and there have been no changes in these risks and the methods of managing these risks.

The Company hedges a portion of its future U.S. dollar cash flow. At May 31, 2011 the Company had in place $2.3 million USD in forward currency contracts at an average exchange rate of $0.9646 Canadian per U.S. dollar with a nominal loss on these contracts based on the actual exchange rate at May 31, 2011. In addition, the Company had in place $600 thousand USD in a forward currency contract at an exchange rate of 468.35 CLP (Chilean pesos) per U.S. dollar with a nominal gain on this contract based on the actual exchange rate at May 31, 2011. Gains and losses on all foreign exchange contracts are recognized in earnings at the end of each reporting period.

12. Comparative figures:

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