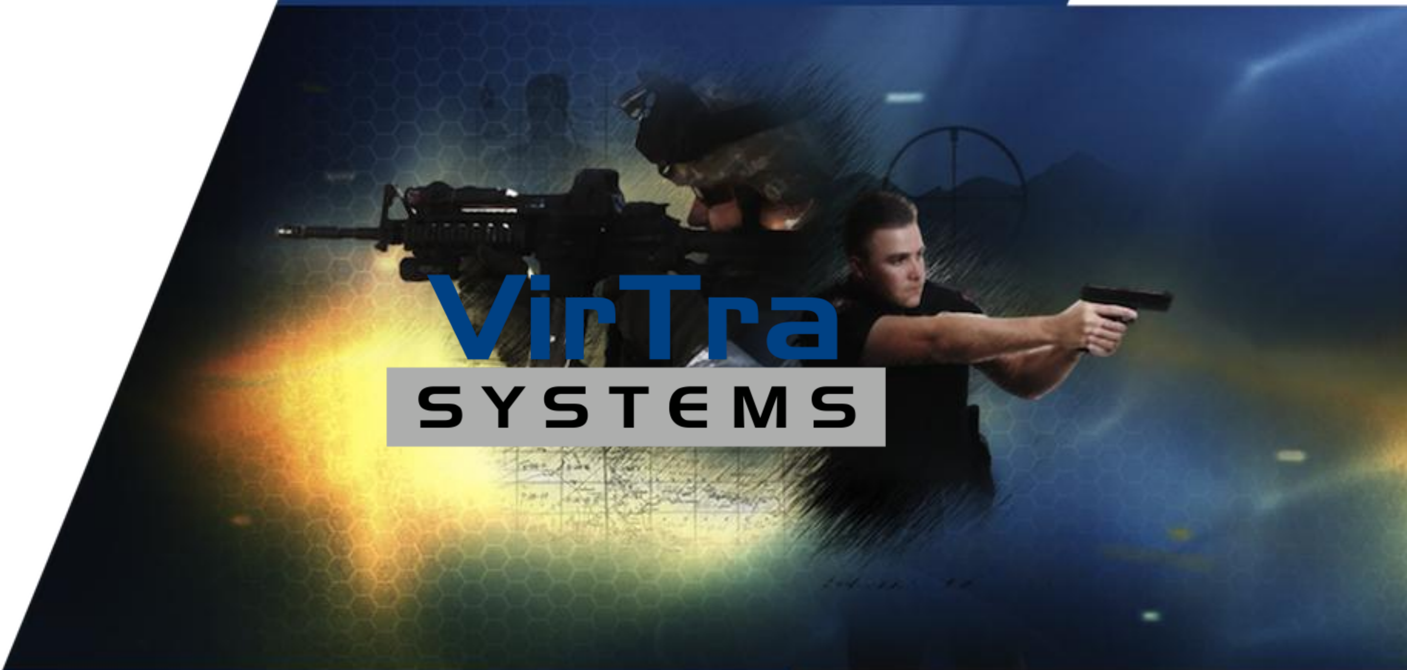

FINANCIAL INFORMATION (UNAUDITED)

QUARTER-END REPORT

June 30, 2011

www.VirTra.com

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Section One: Issuers' Continuing Disclosure Obligations

PART A GENERAL COMPANY INFORMATION

ITEM 1 VIRTRA SYSTEMS, INC.

7970 S. Kyrene Rd.
Tempe, AZ 85284

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PART B SHARE STRUCTURE

ITEM 2. Shares outstanding

(i)	**June 30, 2011**	
(ii)	**Number of shares authorized**	**500,000,000**
(iii)	**Total number of shares issued and outstanding**	**158,328,245**
(iv)	**Freely tradable shares (public float)**	**136,612,777**
(v)	**Total number of beneficial shareholders**	**2,732**
(vi)	**Total number of shareholders of record**	**190**

(i)	**December 31, 2010**	
(ii)	**Number of shares authorized**	**500,000,000**
(iii)	**Total number of shares issued and outstanding**	**158,328,245**
(iv)	**Freely tradable shares (public float)**	**136,287,385**
(v)	**Total number of beneficial shareholders**	**2,762**
(vi)	**Total number of shareholders of record**	**194**

(i)	**December 31, 2009**	
(ii)	**Number of shares authorized**	**500,000,000**
(iii)	**Total number of shares issued and outstanding**	**146,331,254**

(iv)	**Freely tradable shares (public float)**	**119,342,646**
(v)	**Total number of beneficial shareholders**	**2,477**
(vi)	**Total number of shareholders of record**	**198**

PART C FINANCIAL INFORMATION

ITEM 3. Interim Financial Statements

VIRTRA SYSTEMS INC.

Balance Sheets as of June 30, 2011 and December 31, 2010

	6/30/2011 (Unaudited)	12/31/2010 (Unaudited)
ASSETS		
Cash and cash equivalents	$ 468,724	$ 535,728
Accounts receivable, net of allowances	884,730	1,104,470
Costs and estimated earnings in excess of billings on uncompleted contracts	900,303	243,050
Prepaid expenses & other	41,578	58,783
Inventory	437,749	179,428
Total current assets	2,733,084	2,121,459
Property and equipment, net of accumulated depreciation of $772,804 and $657,348, respectively	665,972	594,988
Intellectual property (see Notes 10 and 11), net of accumulated amortization of $1,249,331 and $982,256, respectively	6,733,169	6,542,958
Other assets	32,752	30,391
Total non-current assets	7,431,893	7,168,337
TOTAL ASSETS	$ 10,164,977	$ 9,289,796
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable	$ 498,064	$ 302,745
Accrued liabilities	109,968	187,005
Total current liabilities	608,032	489,750
Redeemable common stock	1,859	1,859
Total non-current liabilities	1,859	1,859
TOTAL LIABILITIES	609,891	491,609
STOCKHOLDERS' EQUITY		
Common stock, $.005 par value, 500,000,000 shares authorized, 158,328,245 and 158,328,245 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	791,641	791,641
Additional paid in capital	12,170,075	12,170,075
Accumulated deficit	(3,406,630)	(4,163,529)
Total shareholders' equity	9,555,086	8,798,187
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 10,164,977	$ 9,289,796

The accompanying notes are an integral part of these financial statements.

VIRTRA SYSTEMS, INC.

Statements of Operations for the three and six months ended June 30, 2011 and 2010.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011 (Unaudited)	**2010 (Unaudited)**	**2011 (Unaudited)**	**2010 (Unaudited)**
REVENUE				
New system sales	$ 1,674,013	$ 1,516,402	$ 3,685,803	$ 2,203,343
Other revenue	825,363	3,810	1,007,363	33,539
Total Revenues	2,499,376	1,520,212	4,693,166	2,236,882
Cost of sales and services	785,431	464,931	1,708,309	722,656
Gross margin	1,713,945	1,055,281	2,984,857	1,514,226
OPERATING EXPENSES				
General and administrative expenses	1,291,393	582,697	2,225,213	1,074,263
Income/(Loss) from operations	422,552	472,584	759,644	439,963
OTHER INCOME AND (EXPENSE) ITEMS:				
Other Expense	(3,466)	(92,523)	(6,966)	(92,523)
Interest expense and finance charges	(988)	(16,383)	(1,437)	(39,809)
Interest & Other income	5,449	2,449	5,658	88.935
Total other income and expense items	995	(106,457)	(2,745)	(43,397)
Net income/(loss)	423,547	366,127	756,899	396,566
Weighted average shares outstanding - basic and fully diluted	158,328,245	150,926,641	158,328,245	148,998,040
Net gain(loss) per share - basic and fully diluted	$ 0.0027	$ 0.0025	$ 0.0048	$ 0.0023

The accompanying notes are an integral part of these financial statements.

VIRTRA SYSTEMS, INC.

Statement of Stockholders' Equity for the Three Months Ended June 30, 2011
(Unaudited)

	Common Stock				
	Shares	**Amount**	**Additional Paid In Capital**	**Accumulated Deficit**	**Total**
Balance at December 31, 2010	158,328,245	$ 791,641	$12,170,075	$ (4,163,529)	$ 8,798,187
Net income, three months ended 3/31/11				333,352	333,352
Balance at March 31, 2011	158,328,245	$ 791,641	$12,170,075	$ (3,830,177)	$ 9,131,539
Net income, three months ended 6/30/11				423,547	423,547
Balance at June 30, 2011	158,328,245	$ 791,641	$12,170,075	$ (3,406,630)	$ 9,555,086

The accompanying notes are an integral part of these financial statements.

VIRTRA SYSTEMS, INC.

Statements of Cash Flows for the six months ended June 30, 2011 and 2010
(Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ 756,899	$ 396,566
Adjustments to reconcile net loss to net cash provided by/(used in) operations:		
Depreciation and amortization	386,031	288,071
Changes in operating assets and liabilities:		
Accounts receivable	219,740	(1,572,072)
Inventory	(258,321)	-
Prepaid expenses and other assets	14,844	(42,138)
Costs in excess of billings/(billings in excess of costs) and estimated earnings on uncompleted projects	(657,253)	1,972,891
Accounts payable and accrued liabilities	195,319	(177,777)
Other current liabilities	(77,037)	148,304
Net cash provided by/(used in) operating activities	580,222	1,013,845
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(186,440)	(159,495)
Capitalized development costs	(457,286)	(219,340)
Net cash provided by/(used in) investing activities	(643,726)	(378,835)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and Equity increase from common stock issuance to accredited investors and others	-	92,523
Principal payments to Dutchess in cash, and notes payable	-	(22,824)
Buy-back of stock options	(3,500)	-
Net cash provided by/(used in) financing activities	(3,500)	69,699
Net change in cash and cash equivalents	(67,004)	704,709
Cash and cash equivalents, beginning of period	535,728	109,981
Cash and cash equivalents, end of period	$ 468,724	$ 814,690

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Note 1 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation
The accompanying un-audited interim financial statements do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been included. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the respective full year.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Revenue Recognition
Revenue from contracts (such as simulator sales) are recognized on a percentage-of-completion basis, measured by the percentage of costs incurred to date to total estimated costs for each contract. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. General and administrative costs are charged to expense as incurred.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to cost and income and are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenue when realization is probable and the amount can be reliably estimated.

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenue recognized in excess of amounts billed. Billings in excess of costs and estimated earnings on uncompleted contracts represent amounts billed in excess of revenue recognition.

Credit Risk
The Company maintains its cash in well known banks selected based upon management's assessment of the banks' financial stability and utilize multiple accounts to reduce risk. Balances periodically exceed the $250,000 federal depository insurance limit; however, the Company has not experienced any losses on deposits.

Accounts receivable generally arise from sales of equipment and services to various clients throughout the world. Collateral is generally not required for domestic government customers but significant deposits are required for most international customers. At June 30, 2011 we had no reserve for doubtful accounts as all material amounts of our receivables appear to be collectible.

Cash Equivalents
For purposes of reporting cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents. We had no cash equivalents at June 30, 2011.

Property and Equipment
Property and Equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Expenditures for major renewals and betterments that extend the original estimated economic useful lives of the applicable assets are capitalized. Expenditures for normal repairs and maintenance are charged to expense as incurred. The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts, and any gain or loss is included in operations.

Shipping and Delivery Costs
The cost of shipping and delivery is charged directly to cost of sales and services at the time of shipment.

Income Taxes
The Company uses the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded to reflect the tax consequences on future years of temporary differences between the tax basis of assets and liabilities and their financial amounts at year-end. The Company provides a valuation allowance to reduce deferred tax assets to their net realizable value.

Income (Loss) Per Share
Basic income (loss) per share is computed on the basis of the weighted average number of shares of common stock outstanding during each period.

Fair Value of Financial Instruments
The Company includes fair value information in the notes to financial statements when the fair value of its financial instruments is different from book value. When the book value approximates fair value, no additional disclosure is made.

Reclassifications
Certain reclassifications have been made to conform to prior periods' data to the current presentation. These reclassifications have no effect on the results of reported operations or stockholders' equity (deficit).

Note 2 – Going Concern

As reflected in the accompanying financial statements and prior reports, the Company has had operating profits every year since 2008. However, there is no guarantee that the Company will continue with profitable operations in the future.

If the Company is forced to liquidate its assets in an attempt to pay creditors at which time the assets on the accompanying balance sheet will be liquidated at amounts possibly substantially less than reported. It is therefore possible that, should the Company be forced to liquidate, there will be insufficient cash to pay all creditors and provide the Company's shareholders a return on their investment.

Note 3 - Accrued Liabilities

The following table summarizes the major items included in Accrued Liabilities at June 30, 2011 and December 31, 2010:

	6/30/11	12/31/10
Accrued payroll taxes, including penalties and interest	$ -	$ 121,411
Other	109,968	65,594
Total Accrued Liabilities	**$ 109,968**	**$ 187,005**

Note 4 - Cost and Estimated Earnings in Excess of Billings (and Billings in Excess of Costs and Estimated Earnings) on Uncompleted Contracts

At the end of 2nd Quarter 2011, we had three large projects in the production stage. Our percentage of completion is based on total costs incurred to date compared to the estimated total cost of each contract. Of the partially completed work at June 30, 2011, we have incurred some of the costs on contracts totaling $4,075,945 of total revenue. We estimate that we will incur additional costs and do not expect to incur any losses on our uncompleted contracts. Our costs and estimated earnings in excess of billings on uncompleted contracts total was $900,303 at June 30, 2011.

Note 5 - Other Assets

Other assets at June 30, 2011 are comprised of deposits on leased property.

Note 6 – Unpaid Payroll Taxes

Ferris Productions, Inc. had certain payroll tax liabilities which we inherited upon the combination of GameCom, Inc. and Ferris Productions. The combined company also incurred payroll tax liabilities. These liabilities were for unpaid payroll taxes between 2000 and 2003.

We entered into an agreement with the Internal Revenue Service during 2008 to repay the full amount of the liability in quarterly installments of gradually increasing amounts. The repayment arrangement began in March 2008 at $25,000 per quarter. This amount increases to $50,000 per quarter in March 2009 and graduates to $75,000 per quarter in March 2010 until the liability is fully paid.

The remaining IRS liability was paid in full by the Company in the 1st quarter of 2011.

Note 7 – Related Party Transactions

Some employees of the company use their personal credit cards for company expenses. If an expense report is submitted near quarter end without time to be paid off, it will appear as a balance owed until such time as it is paid off.

Note 8 – Capitalized Development Costs

VirTra has continued to employ qualified individuals for the exclusive purpose of scenario creation and the development of simulation software. At June 30, 2011 we had recorded $1,382,501 in development cost (Q1 2009 through Q2 2011) which represents resources used during the period. These costs were not included in the $6,600,000 recorded for Intellectual Property. See note 12. The costs were calculated from payroll for the actual hours spent in both creation and development as well as any other direct costs. These costs will continue to be capitalized in the future, under the description of Intellectual Property, and will be amortized over 5 to 15 years depending on the useful life of the development. Amortization of these costs, and the intellectual property, was $1,249,331 at June 30, 2011.

Note 10 – Intellectual Property

Prior to becoming a profitable company, VirTra expensed research and development costs as the market value of our developments was unknown. After two consecutive profitable quarters as a company and the judgment that VirTra's current intellectual property has market value, VirTra engaged Dr. Kenneth Lehrer of Lehrer Financial and Economic Advisory Services in February 2009 to perform an independent third party evaluation of VirTra's intellectual property as of December 31, 2008.

Dr. Lehrer considered five different valuation approaches. The discounted net cash flow approach was used in the valuation. Four scenarios were presented under the discounted cash flow model and the final analysis was an estimated value of $6,600,000 for the intellectual property of VirTra as of December 31, 2008. Therefore, the Company has capitalized and recorded $6.6 million as the value of its intellectual property assets.

This amount is based upon the valuation methods utilized in the valuation report. Other factors that were brought to bear in determining the final valuation are – quantity and quality of the individual information available, the experience, judgment and education of the appraiser, Dr. Kenneth Eugene Lehrer and the degree of confidence placed on each valuation technique by the appraiser in regard to the specific "concept" or "idea" under analysis.

Note 11 – Land Purchase

During 2009, VirTra management became aware of a unique piece of land that was the right size for a future VirTra headquarters, positioned in a good location, and was offered at a very attractive price by a motivated seller.

Due to the debt owed to the IRS, the entity of VirTra Systems, Inc. was unable to purchase the land directly.

On December 8, 2009 Ferris Properties, LLC. (owed by Bob Ferris, CEO of VirTra and Nichieli Ferris) signed a promissory note for the purchase of approximately 2.2 acres of improved land in Chandler, Arizona from McClintock and Galveston, LLC. The intention is to eliminate the IRS debt and, in the future, obtain a building loan to begin construction of a VirTra headquarter building on this land.

The purchase price for the land is $695,000, approximately $160,000 has already been invested. The remaining amount owed is in the form of a $535,000 loan from the seller to Ferris Properties, LLC which is now to pay interest-only payments at a rate of 4% per annum ($1,783.33 per month) starting on December 8, 2009 until November 30, 2010. If the building loan has not begun by November 30th, 2010, then Ferris Properties would pay $10,000 per month plus 5.5% per annum until June 1, 2011 at which time the note is due unless renegotiated.

The transaction is a straight pass-through, whereby Ferris Properties, LLC charges no fees and no expenses to VirTra Systems. All costs and payments imposed by the seller (McClintock and Galveston, LLC) are paid by VirTra Systems, Inc. As soon as permitted, the liability, deed and ownership interest in the land will be transferred to VirTra Systems at no profit to Ferris Properties, LLC.

The land was purchased to permit expected expansion, however, the unexpected Gander Mountain Academy rollout required VirTra to obtain a larger facility in a short period of time, rather than having time to build on the land. In addition, VirTra negotiated a buy-out price for its current building far below the cost of constructing a new building.

In December 2010 the original landowner suspended further payments, and permitted Ferris Properties, LLC to walk away with no further obligations in principal, interest or penalties. Neither Ferris Properties, LLC nor VirTra Systems, Inc. have any further liability or asset associated with the land.

Note 12 – Subsequent Events

Due to matters of a personal nature, Don Andrus will no longer be involved with VirTra, effective immediately. Until further notice, Bob Ferris will step in as acting President and Matt Burlend will take over as the Chief Operation Officer. Mr. Andrus' Board of Directors' seat will be filled by Jeff Brown.

Mr. Brown worked for Ernst & Young from June 1990 to November 1994, during which he audited Loma Linda University Medical Center and The University of Arizona. He was also the controller/CFO for Gold Canyon Candles during which the company grew from $8 million in gross sales to $55 million in three years. Mr. Brown's accounting firm previously prepared financial reports for VirTra until second quarter 2011.

In addition, VirTra has hired Mr. Aaron DeCorte as the new Vice President of Sales. Previously, Mr. DeCorte has delivered over $100 million in sales and has managed a sales team of 22 representatives, which grew no less than 20% year-over-year for the past 6.5 years.

ITEM 4. Management's discussion and Analysis or Plan of Operation.

A. Plan of Operation.

The world can be a very dangerous place. Both soldiers and law enforcement officers are expected to make the correct decision, with excellent marksmanship, in split-second life-and-death situations. The better and more realistic the training, the greater the chance the trainee will succeed when lives hang in the balance and threats are real! Customers buy our simulator for realistic training so that a trainee has a better chance to succeed at their mission and survive lethal encounters..

VirTra Systems has created the world's most realistic judgment and firearm training systems for law enforcement, security or military personnel around the world. VirTra has several exclusive capabilities such as high-resolution video across multiple screens, proprietary VSA™ software (green-screen HD video), the patent-pending Threat-Fire™ shoot-back system, and the most realistic training scenario library in the world. These exclusive simulation features give our distributors a real advantage in competing for simulation sales in their territories. VirTra is becoming a prized brand in other countries and 100% of every distributor who has our simulator for demonstration in their territory has been successful. When the quality of training is important, customers seem to prefer VirTra's line of simulators.

VirTra's plan of operations includes the following main points:

1. Customers – VirTra will provide excellent service, will develop new scenarios and continue to improve its simulation product line to maintain the lead as the 'premiere' firearm simulation company in the world.
2. Shareholders – One of VirTra's goals is to generate outstanding results for the shareholders.
3. Employees – VirTra attracts and retains the best and brightest employees in the industry.
4. US Growth – An increase in marketing and awareness will likely lead to an increase in sales. VirTra plans to greatly increase tradeshow attendance for the leading US and international tradeshows.
5. International Growth – VirTra is increasing international sales trips and distributors to increase international sales.
6. Equity and debt – VirTra will preserve equity and eliminate debt whenever it makes the most sense to the Company.

B. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Second Quarter 2011 Review

Sales for the 2nd quarter increased $979 thousand to a record setting $2.50 million for the three months ended June 30, 2011, up 64.4% from $1.52 million for the same period last year. Sales for the six months ended June 30, 2011 increased $2.45 million to $4.69 million, up 109% from $2.24 million for the same period last year. The table below illustrates the trend of VirTra's expanding gross revenue for the past year.

Quarter	Gross Revenue	Revenue Growth
3rd Quarter 2010	$2.0M	+65%
4th Quarter 2010	$2.3M	+56%
1st Quarter 2011	$2.2M	+206%
2nd Quarter 2011	$2.5M	+64%

For the six months ended June 30, 2011 the expense rate was 47.4% compared to 48.0% for the same period last year.

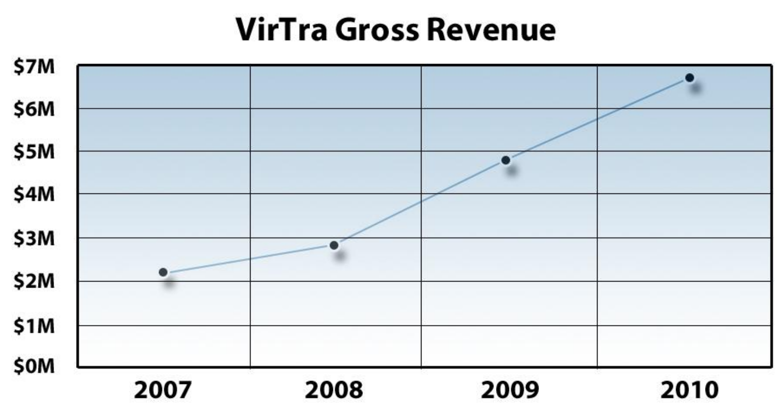
Net income from operations for the six months ended June 30, 2011 grew 73% to $760 thousand from $440 thousand for the same period last year.

Earnings per share for the second quarter of 2011 were $0.0027 compared to $0.0025 per share in Q2 2010. Earnings per share for the six months ended June 30, 2011, were $0.0048 compared to $0.0023 for the same period last year.

VirTra's cash on hand was $469 thousand as of June 30, 2011 compared to $536 thousand as of December 31, 2010. For the six months ending June 30, 2011, shareholder's equity increased $757 thousand to $9.56 million - an increase of 8.6% over the year ended December 31, 2010.

2010 Results Review

Total revenue reached new heights during 2010 as VirTra increased both domestic and international sales. Revenue grew by $1.98 million, a 43% increase from the previous year.



COGS

Cost of goods sold increased slightly from 2009 to 2010 due to a small decrease in profit margins on overall sales for the year.

Net Operating Profit

VirTra posted a net operating profit level of $1.51 million which was slightly more than 2009. The expense rate was higher in 2010 than in 2009 as VirTra added needed infrastructure and invested in advertising and marketing for future results. Below is a break-down of the increased costs as compared with 2009:

Item	Amount
G & A Wages: VirTra increased overall staff by 27 employees throughout the year to accommodate growth.	$349,967
Advertising: larger tradeshow exhibiting, advertising, and costs for a newly redesigned multi-language website	$292,873
Bad debt expense: a very rare event for VirTra. One-time event.	$129,248

Depreciation expense: normally increases with overall growth.	$71,963
Insurance expense: normally increases with overall growth.	$63,968
Rent expense: increases related to higher lease payments due to more space needed.	$58,282
Amortization expense: normally increases with overall growth.	$45,920
Other expenses related to operations.	$39,396
Total	$1,051,617

Net Income

For the year ending 2010, VirTra posted Net Income exceeding $1 million ($1,019,862), but this was $395,150 less than the previous year. Below is a break-down of the costs that were higher than in 2009:

Item	Amount
Stock options exercised: Stock options were exercised which created an accounting charge (non-cash event). One-time event and the stock options are now cancelled.	$215,000
Land purchase termination: VirTra negotiated a buy-out price for its current building far below the cost of constructing a new building, so no need for the land. One-time event with no further costs or liabilities.	$161,945
Previous management commitments: Various commitments made by previous management. One-time events which created an accounting charge (non-cash event).	$141,273
Stock options redemption: VirTra redeemed stock options for cash. One-time event and the stock options are now cancelled.	$5,800
Total	$524,018

Summary

The year 2010 has included several key milestones for VirTra. The company landed the largest simulation project in its 18 year history with Gander Mountain Academy, which only began in 2010 and already helped set record high revenues for the year. Also, VirTra introduced a brand new product line - the VirTra Range™ to very positive reviews at both military and law enforcement tradeshows.

ITEM 5. Legal Proceedings

There are no current or pending legal proceedings filed or threatened against the Company.

ITEM 6. Default upon Senior Securities

There has been no material default in the payment of principal, interest, a sinking or purchase fund installment, or any other material default not cured within 30 days, with respect to any indebtedness of the issuer.

ITEM 7. Other Information

None

ITEM 8. Exhibits

VirTra entered into a confidential and material contract with Gander Mountain in 2010 and has continued with additional sales in 2011.

ITEM 9. Certification of Chief Executive Officer.

I, Robert D. Ferris, certify that:

1. I have reviewed this Quarterly Disclosure Statement of VirTra Systems, Inc.;
2. Based on my knowledge, this Disclosure Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the Financial Statements and other financial information included or incorporated by reference in this Disclosure Statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 9, 2011

/s/ Robert D. Ferris
CEO/Chairman