

INTERNATIONAL BARRIER TECHNOLOGY INC.
QUARTERLY REPORT
for the nine and three month periods ended March 31, 2007

Management Discussion & Analysis

Date of Report – May 10, 2007

Description of Business

International Barrier Technology Inc. (Barrier) manufactures and sells fire-rated building materials primarily in the U.S.A. Barrier has a patented fire protective material (Pyrotite™) that is applied to building materials to greatly improve their respective fire resistant properties. Coated wood panel products are sold to builders through building product distribution companies all over the US. Many of the top multifamily homebuilders in the US utilize Barrier's fire-rated structural panel Blazeguard® in areas where the building code requires the use of a fire-rated building panel.

Discussion of Operations

Barrier's financial statements are filed with both the SEC (USA) and SEDAR (Canada) and are disclosed in US dollars utilizing US generally accepted accounting principles. Barrier's filings with the SEC consist of quarterly reviewed financial statements on Form 10-QSB and annual audited financial statements on Form 10-KSB. Barrier continues to file the above financial statements with SEDAR in Canada.

Sales revenue for the nine month period ending March 31, 2007 was \$4,696,264 vs. \$4,777,667 for the same time period last year. Sales revenue for the third quarter of fiscal 2007 was \$1,068,491 vs. \$1,825,087 last year. Sales revenue (top line) continues to be impacted negatively by sheathing prices, particularly oriented strand board (OSB). Average OSB prices in the nine month period ending March 31, 2007 were approximately \$136 per sq.ft. less than the same period a year ago affecting top line sales revenue by \$895,764 versus last year. Since sheathing prices are generally a "pass through" cost to Barrier (margins are taken on the fire treatment of the sheathing not the sheathing itself) these lower prices also lower the cost of production and thereby do not significantly alter bottom line revenue or gross profits.

Sheathing prices are volume driven. Relatively low sheathing prices, such as those which have dominated the building materials market to date, are a reflection of lower demand. The demand for building materials is directly and dramatically impacted by softness in housing starts. Barrier's sales into residential roof deck markets are not immune to this demand shift and the cyclical decline in housing starts is the primary reason why volume of sales has not increased as fast as planned.

Total sales volume, as measured by surface measure of product shipped for the nine month period, is up 17% to 6,586,500 sq.ft. in comparison to 5,626,900 sq.ft. last year. Sales volume for the three month period is 1,642,800 sq.ft., in comparison to the 2,155,400 sq.ft. shipped the previous year, a decline of 23.7%. Commercial modular sales, one of two major market segments for Barrier's products, grew 42% in the nine month period ending March 31, 2007, and 64% from the same three month period last year. Barrier anticipates that the commercial modular market will continue to provide significant growth and will also provide the basis for the development of other markets, such as fire-rated residential and non-modular roof deck applications. Multi-family roof deck sales, the other primary market for Barrier products, have remained nearly consistent with last years 9 month results (3,141,300 sq.ft. versus 3,172,100 sq.ft. in 2006). A year to year decline of

nearly 1 million sq.ft. in the 3 month period ending March 31, 2007, however, offset impressive growth into this market in the two quarters reported previously.

Barrier had anticipated that increases in market share, including sales development into new geographies, would more than offset any decline in business caused by a slowdown in housing starts. In fact, Barrier's sales do reflect increases in volume in the mid-western and mid-Atlantic regions of the US. In all geographies excluding Florida, sales into the multi-family residential market have grown despite market softness: from 867,400 sq.ft. to 1,184,900 sq.ft. for the 9 month periods ending March 31; and, from 205,600 sq.ft. to 212,600 sq.ft. for the three month periods, year to year. A significant decline in shipments to Florida in the three month period ending March 31, 2007, however, offset the gains made in other areas.

Florida has been Barrier's showcase market for Blazeguard multi-family residential sales for the last three years. Florida represented 73 percent of total multi-family residential sales (2,304,700 sq.ft. out of 3,172,100 sq.ft) for the 9 month period ending March 31, 2006. During that time period, multi-family residential sales, accounted for 56 percent of total sales volume (3,172,100 sq.ft. out of 5,626,900 sq.ft.). In the nine month period ending March 31, 2007 Florida continued to contribute a significant percentage (62%) of multi-family sales volume (1,956,400 sq.ft. out of 3,141,300 sq.ft.) and multi-family sales continue to contribute a significant percentage (48%) of total sales (3,141,300 sq.ft. out of 6,586,500 sq.ft.),

Three month results, however, for the three month period ending March 31, 2007, show that sales to the multi-family residential market fell to 20 percent of total sales (327,000 sq.ft.). Sales into Florida for this three month period were nearly 1 million square feet less than the same period in the previous year.

Florida had seemed immune to softness in residential housing starts until late in calendar year 2006, particularly in the multi-family residential sector. Barrier's sales of Blazeguard were on track to exceed the previous year's record sales. Growing inventory of unsold homes, however, and the exodus of "strategic" investors whom were buying housing at a reckless pace because of escalating housing prices, brought the market to a swift and dramatic correction. Barrier's three month sales volume of Blazeguard shipped into Florida for the period ending March 31 fell from 1,118,100 sq.ft. in 2006 to 114,000 sq.ft. in 2007: a decline of 89.8%. Sales to Florida in the previous quarter reported, ending December 31, 2006 were 884,000 sq.ft. The correction was fast and brutal.

In summary, while total sales volumes are higher than in the previous year, a dramatic decline in Florida sales in the most recent 3 month period muted significant gains made in other areas. Barrier expects Florida to begin recovery slowly as calendar year 2007 continues. Immigration into Florida continues at rates similar to what had been experienced in recent years, so underlying demand for housing will continue. Fewer homes sold on market speculation, a continued abundance of unsold homes, slightly higher interest rates, and a more cautious consumer, however, will keep the recovery slow and methodical.

Barrier believes that in the long run, gains in other market areas (such as commercial modular), and other emerging geographical locations for multi-family residential sales (such as southern California, Arizona and Texas) have serve to lower risk by spreading sales over a broader market playing field and making the business less vulnerable to cyclicity in Florida

As the US building industry continues its recovery throughout the remainder of calendar year 2007, and as housing starts continue their climb back to levels reflecting the underlying need for new homes, Barrier anticipates dramatic recovery in the growth rate of sales volume. Barrier continues its press to add builders, one by one. During "slow times", Barrier, and the existing Blazeguard distribution network, has found builders eager to learn about how Blazeguard can

improve the value of their homes. Barrier's aggressive positioning during this time period has created future opportunity and set the stage for strong growth as the housing market improves.

Gross profit for the nine months ending March 31, 2007 was \$1,007,233 from a total of \$1,118,116 in the previous year. Quarterly gross profit was \$254,907 this year in comparison to \$443,679 in the previous year. Gross margin, as a percentage of sales revenue declined slightly year-to-date from 23% to 21.4% and remained consistent at 24% in the three month period. Total sales revenue was impacted by historically low sheathing (plywood and Oriented Strand Board) prices. Sheathing costs are basically a "pass through" commodity item for Blazeguard sales. Cyclicity in sheathing costs are expected and do not materially effect bottom line profits, but a downward trend in sheathing will have a direct impact on total sales revenue.

Cost of goods sold in the nine month period ending March 31, 2007 increased to \$3,689,031 from \$3,659,551. However, the year to date costs per sq.ft. decreased from \$.65 to \$.56. For the three month period, cost of goods sold decreased to \$813,584 from \$1,381,408. Average direct costs per sq.ft. of production (including the substrate) was substantially lower (from \$.64 to \$.50) for the three month period year to year. These decreases are related to capturing improved labor and manufacturing efficiencies.

Efficiencies improved as labor became more experienced with the new system. Also, "temporary" labor was eliminated as the full time, permanent labor became more efficient. While the number of required workers on the new line is similar to the old line, the designed production capacity of the new line is more than twice that of the old line. Barrier anticipates continued significant improvements in the average cost of both labor and materials as the new, highly automated production line continues to provide a higher percentage of product shipped.

Operating expenses were higher year to date this year at \$455,534 in comparison to last year at \$213,237. In the three month period reported, operating expenses rose to \$117,767 from \$92,003. R&D expenses which were incurred as new market applications continue to be explored and developed were \$170,005 for nine months and \$29,067 for the three months ending March 31, 2007.

Amortization on plant and equipment increased year to date from \$42,299 in 2006 to \$191,779 in 2007. Quarterly, the year to year increase was up to \$57,450 from \$14,897. The increase reflects scheduled depreciation of the new manufacturing line equipment as it is now producing substantial volumes. The amortization of the world-wide Pyrotite technology (including patents, technical know-how, and trademarks) began when Barrier purchased it in 2004 and will continue at existing rates until it is fully depreciated (8 years). Neither of these items have an impact on the cash position of the company.

Administrative expenses in the reported nine month period increased from \$1,044,612 to \$1,063,786. However, the administrative costs per sq. ft. decreased to \$0.16 from \$0.19 over the same period last year. Quarterly administrative expenses declined to \$341,588 from \$350,014 for the same period last year. Administrative costs per sq. ft. were \$0.21 from \$0.16 last year for the three month period. As volumes continue to increase, a reduction in the average cost of administrative expense per sq.ft. produced is expected. Barrier expects the reduction in the average cost of administration to have a significant impact on bottom line performance in future reporting periods.

Barrier is required to report a line item entitled "**stock-based compensation**". This figure is an estimate of the value of stock options awarded to management and key personnel as a portion of their total compensation package (see section: Critical Accounting Estimates below). The company uses the Black-Scholes formula to calculate the fair value of the stock options. While

this reporting is a requirement, and a true reflection of value the company is granting to key personnel, it is a “non-cash” item that doesn’t affect current operating cash flows. Year to date, stock-based compensation for the nine month period ending March 31, 2007 was \$92,478, a decrease from \$198,508 during the same period the previous year. Stock-based compensation for the three month period was \$27,306.

Year to date **insurance costs** have increased to \$92,849 in comparison to \$64,197 the previous year. The increase is due substantially to the increase in sales volumes which have led to additional coverage requirements. Three month insurance costs, however, declined to \$37,814 from \$46,304 the previous year. This decrease in the quarterly amount is payment timing on renewal fees.

Travel, promotion, and trade show expenses are higher for both the nine and three month periods (\$50,410 and \$19,976, respectively): a result of increased activity and the development of the southern California and Phoenix, Arizona territory. Nine month wages and management fees increased to \$462,880 over last year reported at \$358,116. This includes the addition of Todd Lorsung, Financial Services Manager, who began employment in March of last year. The three month period expenses have declined slightly to \$169,100 from \$172,835.

Legal fees increased to \$99,995 for the nine month period and \$28,140 for the three month period ending March 31, 2007. For the same periods ending in 2006, legal fees were \$43,682 and \$15,642 respectfully. The increases in legal fees were primarily due to patent and trademark registration activities for New Zealand and Australia. Barrier believes protecting its technology and trademarks is the first step in positioning itself to develop strategic partners and potential technology licensees.

Barrier also had “legal” contracts developed and executed with a local chemical formulation company (Protective Chemistries, Inc.) to secure rights to two new “field applied” products: Blazeguard® Fire Retardant Paint and Mycoguard™ mold/mildew resistant coating. In addition, to the costs of developing contracts to secure rights for these products, Barrier also filed to register their trademark brand names.

Sales, marketing, and investor relations expenses are substantially lower for both year to date (\$70,579 vs. \$188,599) and the quarter ending March 31, 2007 (\$12,752 vs. \$26,270), in comparison to the prior year. Barrier will continue to expand upon its shareholder and customer communication programs to ensure the public is informed about business development and emerging opportunities.

Other items include income not directly related to business operations. Other items reported herein include \$32,602 in interest income and \$23,133 in foreign exchange loss year to date. For the three month period ending March 31, 2007, interest income was \$8,992 and the foreign exchange gain was \$4,628.

Net income (loss)

A net loss of \$502,618 is being reported for the nine month period ending March 31, 2007, whereas in the same period in 2006, a net loss of \$67,225 was reported. For the three month period, a net loss of \$190,828 is being reported, whereas in the same period in 2006, a net gain of \$60,887 was reported.

Summary of Quarterly Results. The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Mar 31 2007	Dec 31 2006	Sept 30 2006	June 30 2006	Mar 31 2006	Dec 31 2005	Sept 30 2005	June 30 2005
Volume shipped (MSF)	1,642.82	2,251.8	2,691.8	2,267.0	2,155.4	1,820.2	1,651.4	1,305.9
Total Revenues (000\$)	1.068	1.643	1.985	1.826	1.825	1.611	1.342	1.069
Operating Income	(204.4)	(180.6)	(127.0)	(150.3)	1.7	(187.5)	46.1	(332.6)
Net income (loss)	(190.8)	(204.9)	(106.8)	(144.5)	60.9	(183.9)	55.8	(213.0)
Per Share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)

Selected Annual Information

The following financial data is for the three most recent years ended June 30:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total Revenue	\$6,604.4	\$4,376.5	\$3,035.3
Net income (loss)	(211.7)	(981.9)	(308.8)
Per share	(0.01)	(0.04)	(0.02)
Per share, fully diluted	(0.01)	(0.04)	(0.02)
Total assets	6,172.2	4,792.4	2,668.5
Total long-term financial liabilities	630.0	637.6	703.7
Cash dividends declared per share	Nil	Nil	Nil

New product and market development

Barrier continues to invest time and financial resources in an effort to accelerate long and near term growth. While these expenditures take away from near term profits, research and development of new products and applications as well as market development for existing products and applications are crucial to the attainment of strategic objectives. Barrier intends to grow the business to levels far beyond those currently attained and new initiatives in products and markets are necessary if these long term goals are to be achieved. Ongoing initiatives continue to provide opportunities for sales expansion and growth.

In the period ending March 31, 2007, Barrier, in collaboration with MuleHide Products successfully passed all fire tests required to market an improved "Class A" commercial modular roof deck assembly. This assembly will provide enhanced characteristics for such applications as portable school classrooms as well as modular built hospitals, care centers, and prisons. While sufficient testing has been completed to allow for initial market introductions, additional wind lift tests are scheduled for later in the year to allow additional covering membranes to be used.

Barrier has a two-hour "party wall" assembly involving Blazeguard that has been tested to be load bearing. This assembly is currently "certified and listed" by Intertek Laboratories. This design, however, has not been used very much, however, since most party walls in eastern US markets have little requirement for strength. Recently, however, Barrier has discovered that in earthquake zones, such as most of coastal California, shear strength is a requirement for two-hour fire rated walls built in town homes and other types of buildings where separation assemblies are required. Barrier believes that the existing Blazeguard party wall assembly will meet shear strength requirements and would be competitive to the current alternatives being utilized in southern California to meet building code mandates.

Oregon State University (OSU) is certified to test wall assemblies to earthquake requirements for the State of California. Barrier has made initial contact with OSU and intends to have preliminary tests run on at least one prescribed assembly by June 30, 2007. A successful conclusion to this testing could add dramatically to Blazeguard sales and help “pull” additional product into roof deck applications as well.

Barrier has begun a planning and design phase to improve the manufacturing capability of the “old” production line in an effort to produce structural insulative panels (SIP’s) with a more consistent surface appearance. SIP’s were a significant business for Blazeguard from 1996 – 1999. Variability in the surface appearance of the coating applied by the “old” production line, however, created repeatable issues and complaints when the panels were as an exposed interior wall surface. The improvements planned will improve the consistency of SIP panels produced and make them more appealing and marketable to SIP’s customers. Barrier intends to begin implementing required changes later in the 2007 calendar year coincident with improved efficiencies on the new line.

Barrier has completed the development of marketing materials intended to help introduce two new products currently being sold through existing distribution channels: Blazeguard® Fire Retardant Paint and Mycoguard™ mold/mildew resistant paint. The fire rated paint now allows Barrier to satisfy a need for a product that can be applied “in the field” rather than only “in a factory”. Additionally, the demand for mold/mildew remedial and preventative coatings is growing substantially. Barrier now has a product that can be used in this market. Barrier intends to allow our distribution network to conduct the majority of the marketing and sales work required initially. As the market develops and a better assessment of the overall opportunity of these products relative to currently available alternatives is made, Barrier may choose to put more emphasis on them. For the time being, however, Barrier will rely on our distribution partners and willing independent sales representative to perform the majority of the market development work

Global licensing opportunities.

Barrier is nearly finished with the procedural steps required to protect technology and trademarks in New Zealand and Australia. Initial contacts with potential business contacts and partners have been made. Once patent filings are registered and trademark registrations complete, Barrier will begin to more aggressively pursue licensing opportunities in Australia and New Zealand. These countries are considered prime targets for licensing of Pyrotite technology because existing building codes closely resemble those in the US and there is keen interest in developing building practices there that are more resistant to fire.

Barrier made some exploratory introductions with respect to the potential of producing Blazeguard in Mexico in the nine month period just ended. In Barrier’s opinion, the requirements for the successful development of a viable manufacturing facility in Mexico are: a legitimate Mexican partner to take the lead in the development and management of such a facility; developed markets in the southwest US for products produced in that facility to take advantage of freight differentials; and, a reasonable, cost effective supply of sheathing to be used as a substrate. Barrier feels confident regarding potential partners and developing southwest US markets, but at this time no viable source of structural sheathing has been identified. Should a reliable supply of competitively priced sheathing become known to Barrier, this opportunity will be re-examined.

Barrier continues to provide information to interested global parties upon request.

Any licensing agreements will be designed to protect the technology, prohibit competition, and provide for royalties to be paid to Barrier on an ongoing basis.

Financial position & financings.

Barrier ended the period with a working capital surplus of \$569,594.

The company generated negative operating cash flow for the nine months ended March 31, 2007 of approximately \$209,000. The company expects to fund short term cash needs out of current operations and supplement other short term needs with the operating line of credit that is secured by current working capital. The company does not expect any additional long term capital needs as they recently expanded the operations with a more efficient automated process which is projected to fulfill future growth needs. The new automation was funded largely by a private placement coupled with operating cash flows. Currently, the company is building inventory in anticipation of future needs to better service their customers and to aid in the implementation of strategic operating line modifications.

Related Party Transactions

During the nine and three months ended March 31, 2007 the Company incurred wages and management fees of \$132,124 and \$45,783, respectively, with directors of the Company and companies with common directors.

Capitalization

Authorized: 100,000,000 common shares without par value.

Issued as of March 31, 2007: 29,414,925 common shares at \$15,079,071

Issued as of May 10, 2007: 29,414,925 common shares at \$15,079,071

Options and warrants outstanding:

The following summarizes information about the stock options outstanding at March 31, 2007 reflected in US dollar currency:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
32,500	\$0.44	May 2, 2007
150,000	\$0.66	July 19, 2007
400,000	\$0.80	October 6, 2007
20,000	\$0.50	February 23, 2008
378,500	\$0.09	March 5, 2008
120,000	\$0.69	March 6, 2008
40,000	\$0.38	March 6, 2009
1,094,900	\$0.65	August 24, 2009
<u>250,000</u>	\$0.55	August 9, 2010
<u>2,485,900</u>		

At March 31, 2007, the following share purchase warrants were outstanding entitling the holder to purchase one common share for each warrant held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
<u>1,253,000</u>	\$0.92	August 20, 2008
<u>1,253,000</u>		

Critical Accounting Estimates

Stock-based Compensation Charge and Expense

As described in Note 3 to the audited annual financial statements dated June 30, 2006, the Company records stock-based compensation expense in respect to the fair market value on newly issued stock options. This fair market value of the stock options is estimated at the date the stock options are granted using the Black-Scholes option-pricing model. The related stock-based compensation expense is recognized over the period in which the options vest. In addition, this is a non-cash compensation charge and the cash flow effects are realized only at the time of exercise.

Internal Control and Financial Reporting Procedures

The board of directors evaluates and maintains internal control procedures and financial reporting procedures to ensure the safeguarding of Barrier's assets as well as to ensure full, true, accurate and timely disclosure of Barrier's financial position for the quarterly period ended March 31, 2006, that would materially affect the accuracy of this financial report.

There has been no change in internal control procedures in the nine month period ending March 31, 2007.

Other Matters

As at March 31, 2007, the Company does not have any off-balance sheet arrangements to report.

International Barrier Technology Inc. (the Company) has received a preliminary liability and damage report from a New Jersey townhouse association in connection with a lawsuit the association has filed against its contractor, engineering consultant, property manager and the Company (the "Defendants"). The lawsuit involves alleged water damage in a 1997/8 roof replacement project that was allegedly caused by claimed Company product failure along with other alleged deficiencies. The Company first reported on the prospect of this litigation in December 2005. The townhouse association claims that as a result of defective product supplied, and negligent work performed by other named Defendants, the association has suffered damages of US\$5,506,409.46. Repairs have been reportedly limited to 14 of 177 townhouse units, where water damage has been noted. The total square footage affected to date has been over an area covering less than 10,000 square feet. The damages claimed include the costs of repairs made subsequent to the initial installation work, attorney and consultant fees, and the estimated anticipated future costs for roof repairs on all units including those that have not previously required roof repairs nor have shown any sign of damage.

The Defendants, through their insurers, have engaged qualified experts to consider the report and to prepare a response to refute it. The townhouse association's request for mediation resulted in the scheduling of a "non-binding" mediation hearing scheduled for May 15, 2007. If the parties cannot agree to a settlement on the basis of the findings of the mediation hearing, the suit will likely go to court. The Company carries \$1 million of product liability insurance to protect against such claims and has documented that any damage occurring to date was the result of insufficient ventilation and

incorrect installation. The Company anticipates that the claim will have no material financial impact on the Company.

The lawsuit by the townhouse association is the first involving the Company in 17 years of product distribution in the United States. Over that time, millions of square feet of the Company's products have been successfully installed for roofing and other applications.

The Company will report further on this matter as developments occur.

INTERNATIONAL BARRIER TECHNOLOGY INC.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2007

(Stated in U.S. Dollars)

(Unaudited)

INTERNATIONAL BARRIER TECHNOLOGY INC.**INTERIM CONSOLIDATED BALANCE SHEETS**

March 31, 2007 and June 30, 2006

(Stated in U.S. Dollars)

(Unaudited)

	March 31, <u>2007</u>	June 30, <u>2006</u>
<u>ASSETS</u>		
Current		
Cash and cash equivalents	\$ 518,813	\$ 897,111
Accounts receivable	248,273	473,100
Inventory	422,686	318,427
Prepaid expenses and deposits	<u>73,679</u>	<u>34,604</u>
	1,263,451	1,723,242
Plant and equipment	3,842,573	3,685,251
Trademark and technology rights – Note 5	<u>669,933</u>	<u>763,683</u>
	<u>\$ 5,775,957</u>	<u>\$ 6,172,176</u>
<u>LIABILITIES</u>		
Current		
Revolving operating loan – Note 3	\$ 247,000	\$ -
Accounts payable and accrued liabilities	376,807	542,314
Current portion of long-term debt	4,550	9,100
Current portion of obligation under capital leases	<u>65,500</u>	<u>62,569</u>
	693,857	613,983
Long-term debt	-	18,200
Obligation under capital leases	<u>481,008</u>	<u>539,982</u>
	<u>1,174,865</u>	<u>1,172,165</u>
<u>STOCKHOLDERS' EQUITY</u>		
Share capital – Note 2	15,079,071	15,059,952
Additional paid-in capital	933,700	849,120
Other comprehensive loss	22,650	22,650
Deficit	<u>(11,434,329)</u>	<u>(10,931,711)</u>
	<u>4,601,092</u>	<u>5,000,011</u>
	<u>\$ 5,775,957</u>	<u>\$ 6,172,176</u>

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
for the three and nine months ended March 31, 2007 and 2006
(Stated in U.S. Dollars)
(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Sales	\$ 1,068,491	\$ 1,825,087	\$ 4,696,264	\$ 4,777,667
Cost of goods sold	<u>813,584</u>	<u>1,381,408</u>	<u>3,689,031</u>	<u>3,659,551</u>
Gross profit	<u>254,907</u>	<u>443,679</u>	<u>1,007,233</u>	<u>1,118,116</u>
Operating expenses				
Research and development	29,067	45,856	170,005	77,188
Amortization – plant and equipment	57,450	14,897	191,779	42,299
Amortization – trademark and technology costs	<u>31,250</u>	<u>31,250</u>	<u>93,750</u>	<u>93,750</u>
	<u>117,767</u>	<u>92,003</u>	<u>455,534</u>	<u>213,237</u>
Administrative expenses				
Accounting and audit fees	13,689	12,434	67,328	42,905
Consulting fees	-	2,160	2,444	8,980
Filing fees	7,339	11,565	18,650	20,734
Insurance	37,814	46,304	92,849	64,197
Interest and bank charges	2,474	116	2,584	471
Interest on long-term debt	7,929	7,551	34,086	20,195
Legal fees	28,140	15,642	99,995	43,682
Office and miscellaneous	10,444	12,163	51,585	41,781
Sales, marketing, and investor relations	12,752	26,270	70,579	188,599
Stock-based compensation – Note 2	27,306	21,939	92,478	198,508
Telephone	2,972	3,551	9,193	10,106
Transfer agent fees	1,653	2,334	8,725	10,478
Travel, promotion, trade shows	19,976	15,150	50,410	35,860
Wages and management fees – Note 4	<u>169,100</u>	<u>172,835</u>	<u>462,880</u>	<u>358,116</u>
	<u>341,588</u>	<u>350,014</u>	<u>1,063,786</u>	<u>1,044,612</u>
Income (loss) from operations	<u>(204,448)</u>	<u>1,662</u>	<u>(512,087)</u>	<u>(139,733)</u>

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SEE ACCOMPANYING NOTES

Continued

INTERNATIONAL BARRIER TECHNOLOGY INC.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
for the three and nine months ended March 31, 2007 and 2006
(Stated in U.S. Dollars)
(Unaudited)

	Three months ended		Nine months ended	
	March 31,		March 31,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Income (loss) from operations	<u>(204,448)</u>	<u>1,662</u>	<u>(512,087)</u>	<u>(139,733)</u>
Other items:				
Foreign exchange gain (loss)	4,628	-	(23,133)	(1,536)
Other income	<u>8,992</u>	<u>59,225</u>	<u>32,602</u>	<u>74,044</u>
	<u>13,620</u>	<u>59,225</u>	<u>9,469</u>	<u>72,508</u>
Net income (loss) for the period	(190,828)	60,887	(502,618)	(67,225)
Deficit, beginning of the period	<u>(11,243,501)</u>	<u>(10,848,099)</u>	<u>(10,931,711)</u>	<u>(10,719,987)</u>
Deficit, end of the period	<u>\$(11,434,329)</u>	<u>\$(10,787,212)</u>	<u>\$(11,434,329)</u>	<u>\$(10,787,212)</u>
Basic and diluted earnings (loss) per share	<u>\$ (0.01)</u>	<u>\$ 0.00</u>	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding	<u>29,414,925</u>	<u>29,276,871</u>	<u>29,413,100</u>	<u>28,645,460</u>

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the nine months ended March 31, 2007 and 2006
(Stated in U.S. Dollars)
(Unaudited)

	Nine months ended March 31,	
	<u>2007</u>	<u>2006</u>
Operating Activities		
Net loss for the period	\$ (502,618)	\$ (67,227)
Changes not involving cash:		
Amortization – trademark and technology	93,750	93,750
– plant and equipment	191,779	42,299
Stock-based compensation	92,478	198,508
Changes in non-cash working capital		
Accounts receivable	224,827	(194,388)
Inventory	(104,259)	50,058
Prepaid expenses	(39,075)	(31,337)
Accounts payable and accrued liabilities	<u>(165,507)</u>	<u>175,968</u>
Cash provided by (used in) operations	<u>(208,625)</u>	<u>267,631</u>
Investing Activities		
Patent	-	(21,950)
Acquisition of plant and equipment	<u>(349,101)</u>	<u>(1,408,007)</u>
Cash used in investing activities	<u>(349,101)</u>	<u>(1,429,957)</u>
Financing Activities		
Demand loan payable	247,000	-
Long-term debt	(22,750)	(15,922)
Capital lease obligations	(56,043)	(32,493)
Common shares issued for cash, net of share issue costs	<u>11,221</u>	<u>1,059,854</u>
Cash provided by financing activities	<u>179,428</u>	<u>1,011,439</u>
Effect of exchange rate changes on cash	<u>-</u>	<u>34,968</u>
Change in cash during period	(378,298)	(115,919)
Cash and cash equivalents, beginning of the period	<u>897,111</u>	<u>1,275,944</u>
Cash and cash equivalents, end of the period	<u>\$ 518,813</u>	<u>\$ 1,160,025</u>

.../cont'd

SEE ACCOMPANYING NOTES

Continued

INTERNATIONAL BARRIER TECHNOLOGY INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the nine months ended March 31, 2007 and 2006
(Stated in U.S. Dollars)
(Unaudited)

	Nine months ended	
	March 31,	
	<u>2007</u>	<u>2006</u>
Supplementary cash flow information:		
Cash paid for:		
Interest	\$ <u>34,858</u>	\$ <u>20,195</u>
Income taxes	\$ <u>5,700</u>	\$ <u>-</u>

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
for the period ended March 31, 2007
(Stated in U.S. Dollars)

	Common Stock		Additional Paid-in Capital	Other Comprehensive Loss	Deficit	Total
	Issued Shares	Amount				
Balance, June 30, 2005	27,645,325	\$ 13,898,740	\$ 728,710	\$ (43,047)	\$ (10,719,987)	\$ 3,864,416
Issued for cash pursuant to the exercise of share purchase warrants						
– at \$0.60	217,000	130,200	-	-	-	130,200
– at \$0.61	200,000	122,000	-	-	-	122,000
– at \$0.62	165,000	102,300	-	-	-	102,300
– at \$0.63	320,000	201,600	-	-	-	201,600
– at \$0.64	575,000	368,000	-	-	-	368,000
Issued for cash pursuant to the exercise of share purchase options						
– at \$0.09	50,000	4,500	-	-	-	4,500
– at \$0.44	52,500	23,100	-	-	-	23,100
– at \$0.66	55,100	36,615	-	-	-	36,615
– at \$0.69	110,000	75,900	-	-	-	75,900
Stock-based compensation charges	-	-	217,407	-	-	217,407
Reclassification of stock-based compensation charges upon exercise of stock options	-	96,997	(96,997)	-	-	-
Foreign currency translation adjustment	-	-	-	65,697	-	65,697
Net loss for the year	-	-	-	-	(211,724)	(211,724)
Balance, June 30, 2006	29,389,925	15,059,952	849,120	22,650	(10,931,711)	5,000,011
Issued for cash pursuant to the exercise of share purchase options						
– at \$0.45	25,000	11,221	-	-	-	11,221
Reclassification of stock-based compensation charges upon exercise of stock options	-	7,898	(7,898)	-	-	-
Stock-based compensation	-	-	92,478	-	-	92,478
Net loss for the period	-	-	-	-	(502,618)	(502,618)
Balance, March 31, 2007	<u>29,414,925</u>	<u>\$ 15,079,071</u>	<u>\$ 933,700</u>	<u>\$ 22,650</u>	<u>\$ (11,434,329)</u>	<u>\$ 4,601,092</u>

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY INC.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007
(Stated in U.S. Dollars)
(Unaudited)

Note 1 Interim Reporting

While the information presented in the accompanying nine months to March 31, 2007 financial statements is unaudited, it includes all adjustments which are, in the opinion of management necessary to present fairly the financial position, results of operations and cash flows for the interim period presented in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. It is suggested that these interim unaudited financial statements be read in conjunction with the Company's audited financial statements for the year ended June 30, 2006.

Operating results for the nine months ended March 31, 2007 are not necessarily indicative of the results that can be expected for the year ending June 30, 2007.

Note 2 Share Capital

Escrow:

At March 31, 2007, there were 48,922 shares are held in escrow by the Company's transfer agent. The release of these shares is subject to the direction or determination of the relevant regulatory bodies.

Commitments:

Stock-based Compensation Plan

At March 31, 2007, the Company has granted directors, officers and consultants the option to purchase 2,485,900 common shares of the Company.

A summary of the status of company's stock option plan for the nine months ended March 31, 2007 is presented below:

Note 2 Share Capital – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

	Number of <u>Shares</u>	Weighted Average Exercise <u>Price</u>
ending, June 30, 2006	2,220,900	\$0.60
sed	(25,000)	\$0.45
d	<u>290,000</u>	<u>\$0.53</u>
ending, March 31, 2007	<u>2,485,900</u>	<u>\$0.59</u>
sable, March 31, 2007	<u>2,285,900</u>	

The following summarizes information about the stock options outstanding at March 31, 2007:

32,500	\$0.44	May 2, 2007
150,000	\$0.66	July 19, 2007
400,000	\$0.80	October 6, 2007
20,000	\$0.50	February 23, 2008
378,500	\$0.09	March 5, 2008
120,000	\$0.69	March 6, 2008
40,000	\$0.38	March 6, 2009
1,094,900	\$0.65	August 24, 2009
<u>250,000</u>	\$0.55	August 9, 2010
<u>2,485,900</u>		

During the nine months ended March 31, 2007, a compensation charge associated with the grant of stock options in the amount of \$92,478 (2006: \$198,508) was recognized in the financial statements.

Note 2 Share Capital – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

All stock-based compensation charges have been determined under the fair value method using the Black-Scholes option-pricing model with the following assumptions:

	Nine months ended March 31,	
	<u>2007</u>	<u>2006</u>
Expected dividend yield	0.0%	0.0%
Expected volatility	60%	85%
Risk-free interest rate	5.25%	2.00%
Expected terms in years	2 years	5 years

Warrants

At March 31, 2007, the following share purchase warrants were outstanding entitling the holder to purchase one common share for each warrant held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
<u>1,253,000</u>	\$0.92	August 20, 2008

Note 3 Revolving Operating Loan

The revolving operating loan consists of a line of credit facility bearing interest at 9.75%. The line of credit is due on demand and is secured by a charge over certain assets of the Company.

Note 4 Related Party Transactions

The Company was charged the following by directors of the Company or private companies with common directors for the three and nine months ended March 31, 2007 and 2006:

	Three months ended March 31,		Nine months ended March 31,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Wages and management fees	\$ 45,783	\$ 31,929	\$ 132,124	\$ 67,917

Note 5 Contingent Liability

The Company is a defendant in a lawsuit claiming damages for defective building materials. The amount of loss, if any, is not determinable and, in the opinion of management in consultation with independent counsel, the lawsuit is without merit.

Note 6 Canadian and United States of America Generally Accepted Accounting Principles

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which do not differ with those principles and practices that the Company would have followed had its financial statements been prepared in accordance with accounting principles generally accepted in Canada.