



**British Columbia
Securities Commission**

**QUARTERLY AND YEAR END REPORT
BC FORM 51-901F (previously Form 61)**

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INCORPORATED AS PART OF:

Schedule A

Schedule B
(place X in appropriate category)

ISSUER DETAILS

NAME OF ISSUER	FOR QUARTER ENDED	DATE OF REPORT YY/MM/DD
International Barrier Technology Inc.	June 30, 2003	03/11/07

ISSUER'S ADDRESS **c/o 750 West Pender Street, Suite 604**

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Vancouver	BC	V6C 2T7	604-689-9773	1-800-638-4570

CONTACT PERSON	CONTACT'S POSITION	CONTACT TELEPHONE NO.
Michael Huddy	President	1-800-638-4570

CONTACT E-MAIL ADDRESS	WEB SITE ADDRESS
info@intlbarrier.com	N/A

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

"Victor Yates"	VICTOR YATES	03/11/07
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

"David Corcoran"	DAVID CORCORAN	03/11/07
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD

(Electronic signatures should be entered in "quotations")

INTERNATIONAL BARRIER TECHNOLOGY INC.
YEAR END REPORT
for the year ended June 30, 2003

Schedule A: Financial Statements
 – See consolidated financial statements attached

Schedule B:

1. Analysis of expenses and deferred costs:
 General and administrative expenses
 – See consolidated financial statements attached

Cost of Sales		
Materials	\$ 1,394,572	
Plant wages	298,775	
Plant overhead	73,645	
	\$ 1,766,992	

2. Related party transactions:
 – See Note 11 to the consolidated financial statements attached

3. Summary of securities issued and options granted during the year:
 a) Common shares issued during the year

<u>Date of Issue</u>	<u>Number</u>	<u>Type of Issue</u>	<u>Price</u>	<u>Cash Proceeds</u>	<u>Commissions Paid</u>
April 10, 2003	2,000,000	Debt settlement	\$0.15	\$ -	\$ -
April 25, 2003	3,500,000	Private placement	\$0.10	\$ 350,000	\$ 30,000

b) Options granted during the year

<u>Date of Option</u>	<u>Number</u>	<u>Optionee</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
March 5, 2003	200,000	Paul Louie	\$0.10	March 5, 2008
March 5, 2003	400,000	Consultants	\$0.10	March 5, 2008

4. Summary of securities as at the end of the year:
 - a) Description of authorized share capital
 - See Note 9 to the consolidated financial statements
 - b) Number and recorded value for shares issued and outstanding
 - See consolidated statement of shareholders equity
 - c) Description of options, warrants and convertible securities outstanding
 - See Note 9 to the consolidated financial statements
 - d) Number of shares subject to escrow or pooling agreements: 173,452

5. List of directors and officers as at the date of this report:
 - David Corcoran, Director
 - Victor Yates, Director
 - Paul Louie, Director
 - Michael Huddy, President and Director
 - Tom Corcoran, Secretary

Schedule C: Management Discussion and Analysis
– See attached

INTERNATIONAL BARRIER TECHNOLOGY INC.
YEAR END REPORT
for the year ended June 30, 2003

Schedule C: Management Discussion & Analysis

Description of Business

International Barrier Technology Inc. (the Company) manufactures and sells fire-rated building materials primarily in the U.S.A.

Sales reported for the fiscal year ending June 30, 2003 were \$2,254,562, a 21.2% increase over the previous year and record high sales of Barrier's fire resistant Blazeguard panels. Gross profit was up slightly to \$487,570. The gross margin of 21.6% compared to 23.6% in fiscal 2002. Barrier realized a net income of \$46,775 compared to a \$317,041 net loss in the prior year. Cash flow from operations was \$43,657 for the fiscal year, up slightly from last year.

Sales as measured by surface footage of product shipped increased to 2.11 million square feet from 1.77 million square feet, an increase of 19.1%. A substantial sales volume increase of 77% was experienced in Florida, where two manufacturers representatives are helping to sell Blazeguard to townhome builders. Volume increased 21% through Lowe's Companies, Inc. Contractor Yards. Lowe's continues to sell Blazeguard exclusively as its selected fire-rated sheathing product. The only declining market area was New Jersey, where Manufacturers Reserve Supply (MRS) sells Blazeguard to the roof repair market (replacing failed fire retardant treated plywood from other vendors) but has not focused on the new construction market.

Cost of goods sold increased to \$1,766,992 from \$1,421,028 (up 24.3%). This increase resulted predominantly from increased sales volume, but also from higher material costs as the building products industry experienced historically high prices for wood sheathing (OSB and plywood) beginning in the spring of 2003. Prices have remained at high levels through the remainder of the year. Direct labor costs, per unit of material produced, have remained relatively constant throughout the year

Operating expenses including license fees/revenues and R&D decreased to \$65,131 from \$114,467 the previous year. These costs include the annual minimum royalty net expense of \$75,540 (US \$50,000) discussed in Note 14. Research and development expenses of \$25,850 were predominantly for fire tests and material samples in support of new product/market development, in particular for roof deck assemblies for mobile offices/modular buildings. During the year, Barrier received a royalty payment of \$36,259 (US \$24,000) for its share of a potential license agreement negotiated by its Licensor (Pyrotite Corporation) for the IPOSB technology. Pyrotite Corporation continues to seek other applications and opportunities for the IPOSB technology.

General and administrative expenses increased to \$518,971 from \$477,264 last year, a decrease to 23.0% as a percentage of sales compared to 25.7% in the prior year. Consulting fees, legal fees, and investor relations expenses increased to \$70,375 from \$5,320 last year. This change is due to Barrier's increasing effort to communicate to shareholders and the public the Company's business development initiatives and market opportunities for its products. Wages and management fees were relatively unchanged at \$181,037.

Other expenses include non-cash items such as foreign exchange gain (loss), amortization, and stock based compensation. Barrier realized a foreign exchange gain of \$153,202 as the stronger Canadian dollar effectively reduced the value of U.S.-denominated liabilities when translated into Canadian dollars for reporting purposes. Barrier negotiated a forgiveness of debt with AFM Corporation on funds provided in 1995 and 1996. These funds were used to modify the Company's production line to accommodate "jumbo" (8' X 24') panels and automate the production process.

Operating and net income. Barrier achieved a notable reduction of its operating loss to \$96,532 in fiscal 2003 compared to an operating loss of \$152,592 the prior year. For the first time in Barrier's corporate history the company reported an annual net profit. Net income of \$46,776 compares to a loss of \$317,041 in fiscal 2002.

New product and market development initiatives continue to provide opportunities for sales expansion and growth. Significant progress was made in the effort to develop fire rated roof assemblies for commercial modular buildings such as job-site trailers and semi-permanent buildings for school and hospital sites. Barrier, and its partner in this development endeavor (one of the largest US distributors of building products to the modular industry), successfully passed stringent fire and wind load tests at Underwriters Laboratories, Inc. (UL). UL will certify and list in their directory both "A" and "C" roof deck assemblies utilizing Barrier's Blazeguard product as a key component. Sales are expected to commence in late 2003 with significant sales volume expected in 2004. As a part of this process, Barrier has completed production line improvements that increase production capacity for this market application by more than 30%.

Barrier has improved the ability to finish interior wall panels by painting them on the existing production line. While two-part epoxy paints are utilized to create a finish that is competitive to plastic overlaid panels (FRP), other paint systems are being utilized to create a variety of finishes that in time will create opportunities to sell into residential markets as well as commercial and institutional buildings. Tnemec Company, a respected producer of paint systems for commercial applications in the United States, has been instrumental in helping Barrier develop different finishing/painting technologies required to provide panels meeting a variety of needs.

Roof decking for multi-family residential buildings is Barrier's largest and most stable **existing market application**, and represents the majority of sales. Barrier's Florida wholesale distributor is currently purchasing product at a rate higher than ever and Florida has become the most important US state market for Blazeguard. Sales into Florida increased by 394,100 square feet or 77%, after growing 11% the previous year. Management expects sales in 2004 to continue growing as more builders make Blazeguard their preferred fire-rated sheathing.

Lowe's Contractor Yards continues to inventory Blazeguard at more of their locations. Lowe's Companies, Inc. will not allow chemically treated fire rated sheathing to be sold at any of their locations. This provides a compelling reason for local yard managers to market and sell Blazeguard to their many builder customers across the US. In fiscal 2003, sales to Lowe's were up 93,740 sq.ft. (21%) after growing nearly 200,000 square feet in 2002. Despite the high prices of substrate panels used in Blazeguard and distributors' current tendency to hold less inventory (out of fear that prices could potentially fall quickly), sales continue to grow at a significant rate. Lowe's has been instrumental in building Barrier's sales in Maryland, Virginia, and North Carolina.

Barrier anticipates that it can also extend its business from Lowe's Contractor Yards into Lowe's Home Improvement Warehouses. Lowe's has a total of 875 stores in 45 states (www.lowes.com). Most Lowe's Home Improvement Warehouses have commercial sales departments that cater to the builder community. These commercial sales departments contact Barrier on a regular basis seeking information and price quotes on Blazeguard. Some of these inquiries are translating into orders and Barrier is convinced this business is poised to grow in the coming year. As interest builds in the Lowe's Home Improvement Warehouses network, it is possible that Lowe's will elect to inventory Blazeguard at central intra-company distribution centers. These centralized distribution centers serve to minimize transportation and handling costs to the Home Improvement Warehouses, making the product more economic and competitive.

Sales to Manufacturers Reserve Supply, Barrier's wholesale lumber distributor in New Jersey and eastern Pennsylvania, declined 42.7% to 373,700 sq. ft. They have remained focused on "roof replacement" projects resulting from the premature failure of fire retardant treated plywood (FRT) rather than pursuing valuable opportunities in new construction. Many of the remaining FRT replacement projects have been completed and the State of New Jersey has terminated its program of funding FRT replacement projects with public money. Barrier continues to support MRS but is focusing on growth markets such as Florida, Georgia, Virginia, and Texas, where the majority of multi-family housing starts are occurring.

Financial position & financings. During fiscal 2003, Barrier issued 3,500,000 common shares at \$0.10 per share pursuant to a private placement and 2,000,000 common shares at \$0.15 per share pursuant to a stock-for-debt settlement. Barrier ended fiscal 2003 with a working capital deficit of \$245,303, a notable improvement from the prior year's deficit of \$703,915. Subsequent to June 30 (see Note 16), Barrier raised an additional \$302,150, further enhancing its working capital position. The Company's ability to continue as a going concern is dependent upon achieving positive operating cash flow, obtaining new financing, and/or the continued support of its creditors. Barrier's management believes that each of these alternatives will contribute to the Company's continuing solvency and improving financial position.

Material transactions. On March 5, 2003, Barrier announced a letter of intent to purchase the worldwide technology rights (including all relevant patents) to the Pyrotite technology, which represents the foundation of Barrier's business, from Pyrotite Corporation, Inc. Barrier agreed to pay US\$1,000,000 for these rights and made a non-refundable payment of US\$50,000 (see Note 6). Negotiations extended beyond the originally intended September 30th closing date. Final negotiations are in progress. Management is focused on successfully concluding this transaction. Given the expected successful conclusion to this transaction, Barrier intends to raise sufficient capital to complete the transaction within a period defined in the purchase agreement.

Investor relations. During the three month period ended June 30, 2003, Barrier incurred investor relations expenses of \$16,000 in order to inform and communicate to its shareholders and the public regarding Barrier's progressing business development and opportunities.

INTERNATIONAL BARRIER TECHNOLOGY INC.
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003 and 2002
(Stated in Canadian Dollars)

AUDITORS' REPORT

To the Shareholders,
International Barrier Technology Inc.

We have audited the consolidated balance sheets of International Barrier Technology Inc. as at June 30, 2003 and 2002 and the consolidated statements of operations, deficit and cash flows for the years ended June 30, 2003, 2002 and 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada and the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2003 and 2002 and the results of its operations and its cash flows for the years ended June 30, 2003, 2002 and 2001 in accordance with generally accepted accounting principles in Canada. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

Vancouver, Canada
October 17, 2003

"Amisano Hanson"
Chartered Accountants

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA – U.S. REPORTING CONFLICT

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern. The accompanying consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the realization of assets and discharge of liabilities in the normal course of business. As discussed in Note 1 to the accompanying financial statements and in respect of the Company's working capital deficiency and continuing losses from operations, substantial doubt about the Company's ability to continue as a going concern exists. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our report to the shareholders dated October 17, 2003 is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditor's report when these are adequately disclosed in the consolidated financial statements.

Vancouver, Canada
October 17, 2003

"Amisano Hanson"
Chartered Accountants

INTERNATIONAL BARRIER TECHNOLOGY INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2003 and 2002
(Stated in Canadian Dollars)

	<u>ASSETS</u>	<u>2003</u>	<u>2002</u>
Current			
Cash		\$ 98,952	\$ -
Accounts receivable		132,133	125,529
Inventory – Note 3		75,816	84,658
Prepaid expenses and deposits		13,110	9,127
		<hr/>	<hr/>
		320,011	219,314
Capital assets – Note 4		912,392	990,676
License and technology rights– Note 5		73,391	1
		<hr/>	<hr/>
		\$ 1,305,794	\$ 1,209,991
		<hr/> <hr/>	<hr/> <hr/>
	<u>LIABILITIES</u>		
Current			
Bank indebtedness – Note 6		\$ 101,899	\$ 69,358
Accounts payable and accrued liabilities – Note 11		355,778	468,015
Unearned income		-	8,942
Due to related parties – Note 11		18,225	217,256
Current portion of long-term debts – Note 7		25,052	44,048
Current portion of obligation under capital leases – Note 8		64,360	115,610
		<hr/>	<hr/>
		565,314	923,229
Long-term debts – Note 7		78,793	161,330
Obligation under capital leases – Note 8		869,654	1,000,174
		<hr/>	<hr/>
		1,513,761	2,084,733
		<hr/>	<hr/>
	<u>SHAREHOLDERS' DEFICIENCY</u>		
Share capital – Note 9		11,649,276	11,029,276
Deficit		(11,857,243)	(11,904,018)
		<hr/>	<hr/>
		(207,967)	(874,742)
		<hr/>	<hr/>
		\$ 1,305,794	\$ 1,209,991
		<hr/> <hr/>	<hr/> <hr/>

Nature and Continuance of Operations – Note 1
Commitments – Notes 7, 8, 9, 14 and 16
Subsequent Events – Note 16

APPROVED BY THE DIRECTORS:

“David Corcoran” _____ DAVID CORCORAN, Director	“Victor Yates” _____ VICTOR YATES, Director
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SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended June 30, 2003, 2002 and 2001
(Stated in Canadian Dollars)

	<u>2003</u>	<u>2002</u>	(Restated – Note 15) <u>2001</u>
Sales	\$ 2,254,562	\$ 1,860,167	\$ 1,495,608
Cost of sales	(1,766,992)	(1,421,028)	(1,055,351)
	<hr/>	<hr/>	<hr/>
Gross margin	487,570	439,139	440,257
	<hr/>	<hr/>	<hr/>
Licence fee revenue	36,259	-	-
Research and development costs – Note 10	(25,850)	(36,082)	(84,493)
License fee expense – Note 14	(75,540)	(78,385)	(75,895)
	<hr/>	<hr/>	<hr/>
	(65,131)	(114,467)	(160,388)
	<hr/>	<hr/>	<hr/>
General and Administrative Expenses			
Accounting and audit fees	36,095	28,705	16,301
Consulting fees – Note 11	35,420	786	-
Filing fees	10,274	16,691	23,435
Insurance	27,475	27,025	25,527
Interest and bank charges – Note 11	28,169	42,463	36,588
Interest on long-term debt – Note 8	62,944	80,951	81,698
Investor relations	16,000	-	28,890
Legal fees	18,955	4,534	9,721
Office and miscellaneous	48,195	53,118	52,858
Telephone	9,631	7,355	8,531
Transfer agent fees	6,986	3,646	1,639
Travel, promotion and trade shows	37,790	32,326	46,140
Wages and management fees – Note 11	181,037	179,664	182,605
	<hr/>	<hr/>	<hr/>
	518,971	477,264	513,933
	<hr/>	<hr/>	<hr/>
Loss before other	(96,532)	(152,592)	(234,064)
Other			
Foreign exchange gain (loss)	153,202	11,276	(49,798)
Gain on forgiveness of debt	88,405	-	-
Amortization – Note 4	(98,300)	(175,725)	(170,117)
	<hr/>	<hr/>	<hr/>
Net income (loss) for the year	\$ 46,775	\$ (317,041)	\$ (453,979)
	<hr/>	<hr/>	<hr/>
Basic and diluted income (loss) per share	\$ 0.00	\$ (0.03)	\$ (0.04)
	<hr/>	<hr/>	<hr/>
Weighted average number of shares outstanding	14,056,684	12,414,903	10,878,803
	<hr/>	<hr/>	<hr/>

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY INC.
CONSOLIDATED STATEMENTS OF DEFICIT
for the years ended June 30, 2003, 2002 and 2001
(Stated in Canadian Dollars)

	<u>2003</u>	<u>2002</u>	(Restated – Note 15) <u>2001</u>
Deficit, beginning of the year, as previously stated	\$ (11,904,018)	\$ (11,475,260)	\$ (11,046,388)
Prior period restatement – Note 15	-	(111,717)	(86,610)
	<hr/>	<hr/>	<hr/>
Deficit, beginning of the year, restated	(11,904,018)	(11,586,977)	(11,132,998)
Net income (loss) for the year	46,775	(317,041)	(453,979)
	<hr/>	<hr/>	<hr/>
Deficit, end of the year	<u>\$ (11,857,243)</u>	<u>\$ (11,904,018)</u>	<u>\$ (11,586,977)</u>

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2003, 2002 and 2001
(Stated in Canadian Dollars)

	<u>2003</u>	<u>2002</u>	(Restated – Note 15) <u>2001</u>
Operating Activities			
Net income (loss) for the year	\$ 46,775	\$ (317,041)	\$ (453,979)
Items not involving cash:			
Gain on forgiveness of debt	(88,405)	-	-
Amortization	98,300	175,725	170,117
	<u>56,670</u>	<u>(141,316)</u>	<u>(283,862)</u>
Changes in non-cash working capital balances related to operations:			
Accounts receivable	(6,604)	38,604	(86,382)
Inventory	8,842	13,750	(6,868)
Prepaid expenses and deposits	(3,983)	(8,000)	2,290
Accounts payable and accrued liabilities	(29,493)	86,720	91,434
Due to related parties	18,225	52,981	31,295
	<u>43,657</u>	<u>42,739</u>	<u>(252,093)</u>
Investing Activities			
Purchase of capital assets	(20,016)	-	-
Technology rights	(73,390)	-	-
	<u>(93,406)</u>	<u>-</u>	<u>-</u>
Financing Activities			
Decrease in unearned income	(4,798)	(3,802)	(24,481)
Decrease in long-term debts	(17,272)	(14,704)	(41,105)
Increase (decrease) in capital lease obligations	(181,770)	(26,452)	3,604
Common shares issued for cash	320,000	60,000	235,842
Increase (decrease) in bank indebtedness	32,541	(57,781)	78,233
	<u>148,701</u>	<u>(42,739)</u>	<u>252,093</u>
Change in cash during the year	98,952	-	-
Cash, beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
Cash, end of the year	<u>\$ 98,952</u>	<u>\$ -</u>	<u>\$ -</u>
Supplementary Cash Flow Information			
Cash paid for Interest	<u>\$ 76,425</u>	<u>\$ 100,764</u>	<u>\$ 97,639</u>
Cash paid for Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Non-cash Transactions – Note 12			

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY
for the years ended June 30, 2003, 2002 and 2001
(Stated in Canadian Dollars)

	Common Stock		(Restated –	Total
	<u>Shares</u>	<u>Amount</u>	Note 15) <u>Deficit</u>	
Balance, June 30, 2000	10,239,938	\$ 10,733,434	\$ (11,132,998)	\$ (399,564)
Issue of shares for cash pursuant to exercise of warrants – at \$0.10	1,443,417	144,342	-	144,342
Issue of shares for cash pursuant to exercise of options – at \$0.10	735,000	73,500	-	73,500
	– at \$0.15	120,000	18,000	18,000
Net loss for the year	-	-	(453,979)	(453,979)
Balance, June 30, 2001	12,538,355	10,969,276	(11,586,977)	(617,701)
Issue of shares for cash pursuant to exercise of options – at \$0.10	600,000	60,000	-	60,000
Net loss for the year	-	-	(317,041)	(317,041)
Balance, June 30, 2002	13,138,355	11,029,276	(11,904,018)	(874,742)
Issue of shares for cash pursuant to a private placement – at \$0.10	3,500,000	350,000	-	350,000
Less: finders fees	-	(30,000)	-	(30,000)
Issue of shares pursuant to debt settlement agreements – at \$0.15	2,000,000	300,000	-	300,000
Net income for the year	-	-	46,775	46,775
Balance, June 30, 2003	<u>18,638,355</u>	<u>\$ 11,649,276</u>	<u>\$ (11,857,243)</u>	<u>\$ (207,967)</u>

INTERNATIONAL BARRIER TECHNOLOGY INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003 and 2002
(Stated in Canadian Dollars)

Note 1 Nature and Continuance of Operations

The Company was incorporated under the British Columbia Company Act and is publicly traded on the TSX Venture Exchange in Canada and the OTC Bulletin Board in the United States of America.

The Company's principal business activity is the manufacture and sale of fire-rated building materials in the United States of America.

These consolidated financial statements have been prepared on a going concern basis. The Company has a working capital deficiency of \$245,303 as at June 30, 2003 and has accumulated \$11,857,243 of losses since inception. The Company's ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada and are stated in Canadian dollars. Except as disclosed in Note 18, these financial statements conform in all material respects with GAAP in the United States of America. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results could differ from these estimates.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Principles of Consolidation

These consolidated financial statements include the accounts of International Barrier Technology Inc. and its wholly-owned subsidiaries, Pyrotite Coatings of Canada Inc., a British Columbia company and Barrier Technology Corporation, a US company. All inter-company transactions and balances have been eliminated.

(b) Inventory

Inventory is valued by management at the lower of average cost and net realizable value.

Note 2 Significant Accounting Policies – (cont'd)

(c) Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is provided using the following methods and rates:

Manufacturing equipment	straight line over 5 years
Equipment and furniture	20% - declining balance
Computer equipment	30% - declining balance
Railway spur	4% - declining balance
Equipment under capital lease	20% - declining balance
Building under capital lease	straight line over 20 years

(d) Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payment and the property's fair value at the beginning of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

(e) Foreign Currency Translation

Monetary assets and liabilities denominated in United States dollars are translated into Canadian dollars at the exchange rate prevailing at the end of the year. Non-monetary assets and liabilities and revenues and expenses are translated at the exchange rate prevailing at the respective transaction dates. Translation gains and losses are recognized in the current year.

(f) Research and Development Costs

Research and development costs are expensed in the year in which they are incurred.

(g) Basic and Diluted Loss Per Share

Basic earnings per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully dilutive amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Note 2 Significant Accounting Policies – (cont'd)

(h) Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, due to related parties, long-term debt and obligation under capital leases. The fair values of these financial instruments approximate their carrying values. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(i) Unearned Income

Unearned income represents a prepayment in respect to a contract for future sales. Revenue is recognized on this prepayment at a rate of 3% of sales to the customer.

(j) Stock-based Compensation

The Company has a share purchase option plan which is described in Note 9. No compensation expense is recognised for this plan when shares or share purchase options are issued to employees or directors. Any consideration paid by employees or directors on exercise of share purchase options or purchase of shares is credited to share capital. If shares or share purchase options are repurchased from employees or directors, the excess of the consideration paid over the carrying amounts of the shares or share purchase options cancelled is charged to deficit.

Effective for fiscal years beginning on or after January 1, 2002, public companies are required to adopt the new recommendations of the Canadian Institute of Chartered Accountants regarding accounting for Canadian Stock-based Compensation. These new requirements require that all stock based payments to non-employees and direct awards of stock to employees be accounted for using a fair value based method of accounting. However, the new standard permits the Company to continue its existing policy of not recording compensation cost on the grant of stock options to employees with the addition of pro forma information. The Company has elected to apply the pro forma disclosure provisions of the new standard to awards granted on or after July 1, 2002.

(k) Revenue Recognition

(i) Building Supplies

Revenue is recognized upon shipment, when the rights of the ownership of the building supplies are transferred to the purchaser.

Shipping and handling costs billed to customers have been included in revenue and shipping and handling costs expense have been included in cost of sales.

(ii) License Fees

License fees revenue is recognized when the licensor records the sale of products from IPOSB technology.

Note 2 Significant Accounting Policies – (cont'd)

(l) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized in the current year for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using tax rates and laws expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on future income tax assets and liabilities is recognized in operations in the year of change.

Note 3 Inventory

	<u>2003</u>	<u>2002</u>
Raw materials	\$ 71,397	\$ 73,683
Finished goods	4,419	10,975
	<u>\$ 75,816</u>	<u>\$ 84,658</u>

Note 4 Capital Assets

	<u>2003</u>			<u>2002</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Manufacturing equipment	\$ 559,242	\$ 541,227	\$ 18,015	\$ 29,019
Equipment and furniture	14,064	12,048	2,016	2,521
Computer equipment	18,867	18,079	788	1,125
Railway spur	132,449	27,625	104,824	109,192
	<u>724,622</u>	<u>598,979</u>	<u>125,643</u>	<u>141,857</u>
Assets under capital lease				
Equipment	43,190	21,790	21,400	28,336
Land	74,434	-	74,434	74,434
Building	1,102,673	411,758	690,915	746,049
	<u>\$ 1,944,919</u>	<u>\$ 1,032,527</u>	<u>\$ 912,392</u>	<u>\$ 990,676</u>

Amortization of assets under capital leases included in amortization expense for the year ended June 30, 2003 is \$66,438 (2002: \$62,218; 2001: \$56,057).

Note 5 License and Technology Rights - Note 14

	<u>2003</u>	<u>2002</u>
Cost	\$ 868,351	\$ 794,961
Less: Accumulated Amortization	(234,895)	(234,895)
Write-off - terminated License Agreement	(560,065)	(560,065)
	<u>\$ 73,391</u>	<u>\$ 1</u>

Pursuant to a revised License Agreement dated January 1, 1996 with Pyrotite Corporation (“Licensor”), the Company was granted the rights to use certain Licensor patents, trademarks and know-how to manufacture and sell certain Pyrotite products and substances in the territory of the USA. This agreement expires January 1, 2015.

In a previous year, the Company wrote-off its license fees, in the amount of \$560,065, directly associated with the purchase of the rights to manufacture fire retardant application products in the USA, acquired pursuant to a terminated License Agreement dated March 27, 1992.

During the year ended June 30, 2003, the Company paid \$73,390 (US\$50,000) as a non-refundable deposit with respect to the proposed acquisition of all of the Licensor’s right, title and interest worldwide in and to the Fire Retardant Technology and Trademark for a total purchase price of US\$1,000,000. The Company is currently in negotiations with the Licensor to formalize the terms of the agreement but it is uncertain if an agreement will be reached.

Note 6 Bank Indebtedness

	<u>2003</u>	<u>2002</u>
Current account overdraft	\$ -	\$ 38,807
Operating loan	101,899	30,551
	<u>\$ 101,899</u>	<u>\$ 69,358</u>

The operating loan payable in US dollars (US\$75,621) bears interest at 9.50% per annum, is secured by accounts receivable and is due on demand.

Note 7 Long-term Debts

	<u>2003</u>	<u>2002</u>
Loan payable in US dollars (US \$26,451) is unsecured, repayable in monthly amounts of US \$510 including interest at 4% per annum, due March 10, 2008	\$ 35,643	\$ -
Loan payable in US dollars was repayable in monthly amounts of US\$1,063 including interest at 10.5% per annum and was secured by a floating charge over inventory and capital assets	-	14,779
Loan payable in US dollars (US\$14,214) is secured by a director's guarantee and is repayable in monthly amounts of US\$487 including interest at 10.5% per annum, due April 1, 2006	19,153	27,759
Promissory note payable in US dollars was secured by capital assets and was repayable in monthly amounts of US\$833 including interest at 6% per annum. This promissory note payable was forgiven as of June 30, 2003	-	93,853
Loan payable in US dollars (US\$36,400) is non-interest bearing, repayable in quarterly amounts of US\$2,275 and is secured by a lien on the railway spur, due January 10, 2007	49,049	68,987
	<u>103,845</u>	<u>205,378</u>
Less: current portion	(25,052)	(44,048)
	<u>\$ 78,793</u>	<u>\$ 161,330</u>

Principal payments for the next five years are as follows:

2004	\$ 25,052
2005	25,948
2006	26,659
2007	20,099
2008	6,087
	<u>\$ 103,845</u>

Note 8 Obligation Under Capital Leases

Future minimum lease payments on the obligation under capital leases together with the obligation due under capital leases are as follows:

2004	\$ 119,200
2005	119,200
2006	110,146
2007	110,146
2008	107,411
Thereafter	744,048
	<hr/>
	1,310,151
Less: amount representing interest	(376,137)
	<hr/>
	934,014
Less: current portion	(64,360)
	<hr/>
Long-term portion	<u>\$ 869,654</u>

The capital leases bear interest at various rates from 6% to 13.5%.

Interest on capital leases included in interest on long-term debt for the year ended June 30, 2003 is \$63,878 (2002: \$69,346; 2001: \$66,322).

Note 9 Share Capital

a) Authorized:
100,000,000 common shares without par value

b) Escrow:
At June 30, 2003, 173,452 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 authorities.

c) Commitments:
Stock-based Compensation Plan

At June 30, 2003, the Company has granted options to purchase 1,110,000 common shares of the Company. The options are granted with an exercise price equal to the market price of the Company's shares on the date of the grants.

Note 9 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Stock-based Compensation Plan

A summary of the status of company's share purchase option plan as of June 30, 2003 and 2002 and changes during the years ending on those dates is presented below:

	2003		2002	
	Number of Shares	Weighted Average Exercise Price	Number Of Shares	Weighted Average Exercise Price
Options outstanding and exercisable at beginning of the year	1,310,000	\$0.10	1,240,000	\$0.10
Granted	600,000	\$0.10	830,000	\$0.10
Expired or cancelled	(800,000)	\$0.10	(160,000)	\$0.125
Exercised	-	-	(600,000)	\$0.10
Options outstanding and exercisable at end of the year	1,110,000	\$0.10	1,310,000	\$0.10

The following summarizes information about share purchase options outstanding as at June 30, 2003:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
510,000	\$0.10	June 5, 2007
600,000	\$0.10	March 5, 2008
1,110,000		

Note 9 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

A non-cash compensation charge of \$32,000 associated with the granting of options to consultants will be recognized in the financial statements of the Company over the vesting period (next 16 months). A compensation charge associated with directors' options in the amount of \$16,000 will not be recognized in the financial statements, but will be included in the pro forma disclosure. The pro forma amounts disclosed below include a compensation charge of \$12,000. This amount represents the vested portion to June 30, 2003. These compensation charges have been determined under the fair value method using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0.0%
Expected volatility	94.6%
Risk-free interest rate	3.5%
Expected term in years	5

Had the fair value method been used for those options issued to employees and directors', the Company's net income and earnings per share would have been adjusted to the pro forma amounts indicated below:

		<u>Year ended</u> <u>June 30, 2003</u>
Net income for the year	As reported	\$ 46,775
	Pro forma	\$ 34,775
Basic and diluted earnings per share	As reported	\$ 0.00
	Pro forma	\$ 0.00

Note 10 Research and Development Costs

Research and development expense consists of the following for the years ended June 30, 2003, 2002 and 2001:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Salaries	\$ -	\$ 21,707	\$ 58,286
Testing services	25,850	14,375	28,207
	<u>\$ 25,850</u>	<u>\$ 36,082</u>	<u>\$ 84,493</u>

Note 11 Related Party Transactions

The Company was charged the following by directors or private companies with common directors during the years ended June 30, 2003, 2002 and 2001:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Consulting fees	\$ 5,000	\$ -	\$ -
Interest and bank charges	8,470	21,512	19,943
Wages and management fees	181,037	177,093	172,800
	<u>\$ 194,507</u>	<u>\$ 198,605</u>	<u>\$ 192,743</u>

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

Included in accounts payable and accrued liabilities is \$3,166 (2002: \$62,097) owing to directors of the Company.

The amount due to related parties of \$18,225 (2002: \$217,256) consists of amounts due to directors or private companies with common directors with respect to unpaid managements fees, interest and advances. These amounts are unsecured, have no specific terms of repayment and bear interest at 10% per annum.

Note 12 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the years ended June 30, 2003 and 2002, the following transactions were excluded from the statements of cash flows:

June 30, 2003

- the Company issued 2,000,000 common shares at \$0.15 per share to settle accounts payable and amounts due to related parties totalling \$300,000.

June 30, 2002

- the Company acquired a capital asset with a cost of \$31,731 by way of a capital lease.

Note 13 Income Taxes

The Company has non-capital losses in Canada totalling \$659,582 which expire in 2010 and non-capital losses in the United States totalling \$750,415 which expire in 2023. In addition, the Company has Scientific Research and Experimental Development Expenditures in Canada of \$1,087,818 which may be carried forward indefinitely to reduce taxable income in future years. The potential future income tax benefit is not reflected in these financial statements.

Note 13 Income Taxes – (cont'd)

Significant components of the Company's future income tax assets are as follows:

	<u>2003</u>	<u>2002</u>
Non-capital losses carried forward	\$ 515,433	\$ 818,989
Scientific Research and Experimental Development expenses	387,480	387,480
Net carrying amount of capital assets	1,627,717	1,627,717
	<u>2,530,630</u>	<u>2,834,186</u>
Less valuation allowance	(2,530,630)	(2,834,186)
	<u>\$ -</u>	<u>\$ -</u>

The amount taken into income as a future tax asset must reflect that portion of the tax asset which is likely to be realized from future operations. Considering the Company's cumulative losses in recent years, the Company has chosen to provide an allowance of 100% against all available tax assets, regardless of their terms of expiry.

Note 14 Commitments

Technology Royalty

Pursuant to a revised License Agreement dated January 1, 1996 with Pyrotite Corporation ("Licensor") the Company is required to pay a royalty of 3% of USA fire retardant product gross sales, minimum US\$100,000 per annum from January 1, 1996 onward. The Company has granted to the Licensor the rights to certain technology referred to as IPOSB Technology.

The Licensor is required to pay the Company a royalty of 3% of USA gross sales from the IPOSB technology, minimum of US\$50,000 per annum from January 1, 1996 onward.

License fee expense consists of the following for the years ended June 30, 2003, 2002 and 2001:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
License fee expense	\$ 151,080	\$ 156,770	\$ 151,790
License fee revenue	(75,540)	(78,385)	(75,895)
	<u>\$ 75,540</u>	<u>\$ 78,385</u>	<u>\$ 75,895</u>

Note 15 Prior Period Restatement

The Company changed its accounting policy with respect to the deferral and amortization of foreign exchange gains/losses on long-term debt in accordance with the Canadian Institute of Chartered Accountants recommendations. The new recommendations require the inclusion in current income of all foreign exchange gains/losses on long-term debt instruments. As a result of this retroactive adjustment, the opening deficits for the years ended June 30, 2002 and 2001 were increased by \$111,717 and \$86,610 respectively. In addition, the net loss for the year ended June 30, 2001 was increased by \$25,107.

Note 16 Subsequent Events

Subsequent to June 30, 2003, the Company:

- i) completed a private placement of 1,000,000 common shares at \$0.30 per share for proceeds of \$300,000;
- ii) issued 100,000 common shares as finders fees related to the above private placement;
- iii) issued 21,500 common shares at \$0.10 per share pursuant to the exercise of share purchase options; and
- iv) granted 320,000 share purchase options to directors and consultants entitling the holders thereof the right to purchase one common share for each option held at \$0.26 per share until July 10, 2005.

Note 17 Comparative Figures

Certain comparative figures have been restated to conform with the presentation adopted for the current year.

Note 18 Differences Between Canadian and United States of America Accounting Principles

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”) which differ in certain respects with those principles and practices that the Company would have followed had its financial statements been prepared in accordance with accounting principles and practices generally accepted in the United States of America (“US GAAP”).

The Company’s accounting principles generally accepted in Canada differ from accounting principles generally accepted in the United States of America as follows:

Note 18 Differences Between Canadian and United States of America Accounting Principles – (cont'd)

a) Stock-based Compensation

The Company grants stock options at exercise prices equal to the fair market value of the Company's stock at the date of the grant. Pursuant to APB 25, the compensation charge associated with non-employees options is recorded in the reconciling items. The compensation charge for employees is not recognized in this circumstance. Under SFAS 123, it is required to present pro-forma information as to the effect on income and earnings per share as if the Company had accounted for its employee stock options under the fair value method of that statement. Had compensation cost been determined based on the fair value at the grant dates for those options issued to directors and employees, the Company's net loss and loss per share for the years ended June 30, 2002 and 2001 would have been increased to the pro-forma amounts indicated below:

	<u>2002</u>	<u>2001</u>
Net loss in accordance with US GAAP as reported (Note 18 (b))	\$ (317,041)	\$ (453,979)
Pro-forma adjustment for SFAS-123	(41,500)	(54,000)
	<u> </u>	<u> </u>
Pro-forma net loss	\$ (358,541)	\$ (507,979)
	<u> </u>	<u> </u>
Pro-forma net loss per share	\$ (0.03)	\$ (0.05)
	<u> </u>	<u> </u>

The fair value of these options was estimated at the date of the grant using the following weighted average assumptions:

	Years ended June 30,	
	<u>2002</u>	<u>2001</u>
Volatility fact of expected market price of the Company's shares	76.5%	73.6%
Dividend yield	0%	0%
Weighted average expected life of stock options	5 yrs	1 year
Risk-free interest rate	3%	4%

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Note 18 Differences Between Canadian and United States of America Accounting Principles – (cont'd)

- b) The impact of the above on the financial statements for the fiscal years ended June 30 are as follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Net income (loss) for the year per Canadian and US GAAP	\$ <u>46,775</u>	\$ (<u>317,041</u>)	\$ (<u>453,979</u>)
Basic income (loss) per share per Canadian and US GAAP	\$ <u>0.00</u>	\$ (<u>0.03</u>)	\$ (<u>0.04</u>)