INTERNATIONAL BARRIER TECHNOLOGY INC.
QUARTERLY REPORT
for the period ended June 30, 2011

Management Discussion & Analysis

Date of Report – October 12, 2011

Description of Business

International Barrier Technology Inc. (Barrier) manufactures and sells fire-rated building materials. Barrier's primary business is in the United States but through developing distribution partnerships is endeavoring to enter building products markets in Australia, Europe, and South America. Barrier possesses a proprietary fire resistive material technology (Pyrotite®) and a patented manufacturing process that when applied to building materials their respective fire resistant properties are significantly enhanced. Many of the top multifamily and wood frame commercial builders in the United States utilize Barrier's fire-rated structural panels in areas where the building code requires the use of a fire-rated building panel.

Barrier manufactures a private label fire rated sheathing product under contract for both LP® Building Products, Inc. (LP) and MuleHide Products, Inc. (MuleHide). LP has introduced a fire rated OSB trademarked LP® Flameblock® Fire-Rated OSB Sheathing (LP® FlameBlock®) and MuleHide has been selling MuleHide FR Deck Panel (FR Deck Panel) to commercial modular building manufacturers since 2004.

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 reviews financial statements on Form 10-Q and annual audited financial statements on Form 10-K. Barrier continues to file the above financial statements with SEDAR in Canada.

Sales revenue reported for the fiscal period ending June 30, 2011 was up 25% to $3,256,019 in comparison to $2,606,254 generated in the same fiscal period in 2010. Total sales volume, as measured by surface volume of product shipped, was 6,962,264 sq. ft. This is a 39% increase from the 5,002,688 sq. ft. shipped during the previous year.

Shipments into the Commercial Modular Market (FR Deck panel) during the fiscal year were 3,918,500 sq. ft. (a 29% increase over shipments of 3,034,100 sq. ft. in 2010) Sales into the Residential Roof Deck, Wall Assembly, and Structural Insulated Panel Market Sector (LP Flameblock) were 3,043,700 sq. ft. (a 55% increase over the 1,968,600 sq. ft. in the previous year). Flameblock sales were split between the West at 868,100 sq. ft., the Mid-Atlantic region at 795,800 sq. ft., the South at 507,200 sq. ft., the Midwest at 538,900 sq. ft., the Southeast at 46,100 sq. ft., and a special project in Alaska at 113,100 sq. ft. There were 174,500 sq. ft. of shipments of Flameblock into the Structural Insulated Panel market during this period.

On January 18, 2011, LP and Barrier extended their existing Supply Agreement through December 31, 2013. LP is the largest producer of Oriented Strand Board (OSB) in the world and believes that Barrier's Pyrotite Technology will help them achieve their strategy of providing a number of value added OSB products to the building community. The agreement gives LP the exclusive right to sell Pyrotite® treated panel products in North America, in all markets other than commercial modular (MuleHide Products, Inc.), under their brand name LP® FlameBlock® Fire-Rated OSB Sheathing.

Barrier anticipates the relationship with LP may significantly increase sales volume. Reported sales revenue for LP products, however, will only include the charges for treatment services, not the underlying OSB substrate as LP will supply its own OSB substrate. This pass through of the OSB substrate will serve to lower reported "top line" sales revenue, but not necessarily gross profits since margins on substrate have historically been restricted to handling costs only to help keep prices competitive. Prior to the original LP agreement on January 1, 2010, Barrier purchased OSB from local distributors and invoiced the cost of the substrate to its customer, therefore the cost of the substrate was included in sales revenue. Barrier's margin for LP FlameBlock is based on the treatment of the OSB only and does not include substrate costs.

Gross profit for the fiscal period was $110,088 vs. $75,622 in the previous year. The gross margin, as a percentage of sales revenue, was the same as last year at 3%. Improvements in gross margin are anticipated with gains in manufacturing efficiencies provided by improved production technology and efficiencies created by steady and increased sales volumes. Overhead costs will be spread across a larger manufacturing/sales volume base. Barrier is intently focused on improving gross margins through the next fiscal year and beyond.

Cost of sales increased to $3,145,931 from $2,530,632 in Fiscal 2010. The increase is attributable to the increase in volume produced. A sizeable gain in manufacturing efficiency is reflected in the decreased year-to-date average cost per sq.ft. of production of $0.45 in comparison to $0.51 in the comparable period. The decrease in cost of sales was offset this fiscal year by a decrease in selling price (sales revenue) as a result of the supply agreement with LP. Therefore, the gross margin remained unchanged. Prices were lowered in an effort to allow LP to compete directly on a price level to competitive products in the building industry. As shipment volumes continue to increase, we expect the fixed costs included in Cost of Sales will continue to decrease as revenues increase, thus greatly improving gross margins.

Substrate cost and materials/labor were the major expenses in this category. Substrate accounted for $850,852 for the fiscal year versus $744,065 in the same period last year. Materials and labor accounted for an additional $1,350,400 in the twelve month period in 2011 versus $953,068 in 2010.

R&D expenses and activity has generally been limited to those areas allowing LP to introduce LP® FlameBlock® into targeted markets such as the Wildland Urban Interface (WUI) zoned properties in California and for fire rated wall assemblies in wood framed commercial buildings. Barrier's International Code Council Evaluations Services Report (ICC-ES 1365) has been updated and it now includes LP Building Products, Inc. as an "additional listee". This allows LP to sell their LP® FlameBlock® product in any application originally certified for Blazeguard®, Barrier's original fire rated sheathing product.

Depreciation on plant and equipment is included in cost of sales category. Depreciation, which has non-cash impact on Barrier's actual cash flow, increased slightly year-to-date from $264,101 in 2010 to $272,105. The expense reflects scheduled depreciation of the new manufacturing line equipment and building expansion. Amortization, another non-cash category of reporting, of the worldwide 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.

Administrative expenses for Fiscal 2011 decreased to $660,196 from $1,402,270 in the prior year. The administrative costs per sq. ft. was $0.09 year-to-date in comparison to $0.28 in Fiscal 2010. While changes in derivative value (see Note 6) affected administrative costs significantly in this reporting period, Barrier continues to focus on how increased sales volume will help reduce admin cost per square foot shipped. As volumes continue to increase, a continued trend for overall reduction in the average cost of administrative expense per sq.ft. will be manifest. Barrier expects the reduction in the average cost of administration to have a significant impact on bottom line performance in future reporting periods.

Accounting and Audit Fees increased slightly to $86,575 from $84,173.

Insurance costs have increased from $71,936 to $85,121. The difference is due to annually adjusted premiums based on larger sales volume as well as rising insurance premium rates.

Legal fees decreased to $62,979 for the annual period ending June 30, 2011. For the same period in the prior year, legal fees were $80,422. Legal fees were expended on activities in support of protecting Pyrotite® patents and trademark registration as well as for help in the drafting and review of certain business correspondence. Barrier believes protecting its technology and trademarks is an important step in positioning itself to develop strategic partners and potential technology licensees.

Barrier now has two recently issued US patents protecting the manufacturing technology utilized in the production of fire-rated sheathing products utilizing Pyrotite. Barrier has patent pending status on a related patent application in Australia.

Sales, marketing, and investor relations expenses increased from $88,269 to $208,944 year-to-date. The major reason for the increase in expense under this category was an enhanced effort placed on investor relations. Barrier contracted with an external investor relations and media firm, The Investor Relations Group "IRG," from July through November 30, 2010. The partnership fit into a strategy of increasing investor awareness of Barrier's improving business to the investment community.

In addition to the utilization of IRG, Barrier also contracted with an independent Investor Relations professional to conduct dialogue with current and prospective investors during the time period of October 2010 through April 2011. Barrier is committed to maintaining strong relationships with our investors through active communication on an ongoing basis.

Barrier's direct cost for sales and marketing will continue to decline relative to sales volume as our partners, LP and MuleHide Products, continue to perform more and more of those functions themselves. Barrier remains active in a support role by providing necessary technical sales support but more and more of the day to day market and sales development activities are performed by the capable sales and marketing staffs of LP and MuleHide Products resulting in improved sales but also lower costs for Barrier.

Loss Before Other items of ($550,108) is being reported for the fiscal period ending June 30, 2011, whereas in the same period in 2010, a net loss of ($1,326,648) was reported.

Barrier anticipated a slower start as the Flamebock brand enters the market and gains strength. Losses early in the LP relationship were anticipated. LP and Barrier targeted a market based price that is more competitive to past product pricing and at a level that will support improved market share. As sales continue to increase, gross margins and profits are expected to improve.

Other items include income and costs not directly related to business operations. Other income items reported during the period herein includes a foreign exchange gain of $37,919 and interest/other income of $4,296. To compare, for the same reporting period last year there was a foreign exchange loss of ($30,615) and interest/other income of $93,017. The decrease in interest and other income as compared to the prior year is attributable to $90,000 received during the year ended June 30, 2010 fro Pyrotite Corporation as final mediated settlement of a dispute over a royalty agreement.

In March, 2010, Barrier issued, and sold in a private placement, 15 million shares of stock at the price of $0.10 CDN per share. In addition, the purchasers of the shares were awarded the right to buy an additional share (warrant) at $0.15 CDN. As well, Barrier granted options that were exercisable in Canadian currency whereas the functional currency of the company is the US dollar. As a result of these transactions, Barrier is required to record these instruments as derivative liabilities which are re-measured to their fair value each reporting period. During the fiscal year, the Company reported a fair value gain of $1,453,238 vs. ($927,000) in Fiscal 2010.

Interest on Long Term Debt has decreased from $79,921 to $49,534 for the 12-month reporting period.

Net Income. A net income of $895,811 is being reported for the fiscal period ending June 30, 2011, whereas in the same period in 2010, a net loss of ($2,329,567) was reported. Barrier remains focused on cutting costs and improving efficiencies wherever it can. This includes operating the manufacturing line with maximum efficiency, as the economy remains unsettled and residential construction slowly begins to recover. Keeping a vigilant handle on costs will help keep operational costs as low as possible and enable recovery to occur sooner and at lower volumes than previously possible.

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

	June 30 2011	Mar 31 2011	Dec 31 2010	Sept 30 2010	June 30 2010	Mar 31 2010	Dec 31 2009	Sept 30 2009	Jun 30 2009
Volume shipped (MSF)	1,861	1,573	1,754	1,774	1,496	1,261	1,343	903	1,011
Total Revenues (000)	$765	$735	$877	$879	$574	$660	$791	$581	$618
Operating Income (000)	($175)	($176)	($30)	($169)	($370)	($652)	($101)	($195)	($277)
Net income (loss) (000)	$31	$11	$808	$46	($117)	($1,883)	($124)	($206)	($346)
EPS (Loss) Per Share	$0.00	$0.00	$0.02	$0.00	($0.00)	($0.06)	($0.00)	($0.01)	($0.00)

Selected Annual Information

The following financial data is for the three most recent years ended June 30:	2011	2010	2009
Total Revenue	$3,256.0	$2,606.3	$4,092.0
Net income (loss)	895.8	(2,330.0)	(719.0)
Per share	0.02	(0.07)	(0.02)
Per share, fully diluted	0.02	(0.07)	(0.02)
Total assets	4,002.2	5,002.0	4,849.0

Total long-term financial liabilities	571.6	774.0	1,205.0
Cash dividends declared per share	Nil	Nil	Nil

New product and market development

Barrier successfully certified and listed a fire-rated return air plenum product with the International Code Council (ICC-ES) during this fiscal year. In addition, new product labels were approved, enabling the FlameBlock product to be better marketed and utilized in Canada. Prior to this fiscal quarter, the thinnest FlameBlock panel marketed was a 15/32 performance grade panel. During this quarter LP and Barrier worked closely together to successfully certify, list, and launch a 7/16 performance grade panel which has proven to be a more competitive match to FRT plywood than the 15/32 panel in many market geographies.

Barrier continues to provide support to LP for new product and market development activity directed specifically toward the Wildland Urban Interface (WUI) zoned properties in California. To date, FlameBlock has been successfully specified and used in these zones as not only an exterior, sheer wall assembly, but also as a soffit material. Thereby, FlameBlock is currently being used to protect an important area identified by the Office of the State Fire Marshall as critical to prevent from igniting during a wildfire. In June, FlameBlock was approved by CAL FIRE for use in WUI zones as exterior wall sheathing behind LP SmartSide lap and panel siding, as well as cedar shingles and lap siding, providing additional application uses.

Global licensing opportunities

Barrier continues to explore opportunities for both Pyrotite technology licensing and distribution of US manufactured products as a part of the LP® Building Products agreement. LP is active internationally and has offered to potentially extend their influence in Europe, Australia, and South America if the opportunity seems mutually beneficial. In addition, Barrier continues to explore the opportunity for developing fire resistive panels for the emerging Structural Insulated Panel (SIP) market in Australia with an American company currently doing SIP business there. More information will be presented on these opportunities in subsequent reports as it develops.

Financial position & financings

Barrier ended the period with a working capital deficiency (current assets less current liabilities) of ($701,934). The negative operating cash flow was ($329,065) in comparison to ($366,392) for the fiscal period ended June 30, 2010. The net operating cash outflow is derived primarily by reducing the net operating income of $895,811 by the change in fair value of derivative liability of ($1,453,238) and the non-cash items (stock-based compensation) of ($304,086) and amortization/depreciation of $398,121. Other items included in the calculation of operating cash flow include such items as the change in the year to year, Y/E value of inventory, accounts receivable, prepaid items, and accounts payable.

The Company expects to fund short-term cash flow requirements with remaining cash reserves and positive operating cash flow anticipated with increasing sales volume over the next fiscal year. Barrier has also maintained a short term revolving line of credit ($250,000) at the local Cold Spring National Bank in Cold Spring, Minnesota. As of June 30, 2011 the balance owing on the revolving line of credit was $181,723 leaving an additional $68,277 available to fund short term cash flow requirements.

Investing activities resulted in net cash outflow of ($74,857) in the current period in comparison to a net cash outflow of ($23,068) in the prior year. The cash outflow was the result of the acquisition of plant and equipment capital improvements.

Financing activities resulted in net cash outflow of ($190,457) in the current period compared to a net cash inflow of $1,041,858 for the same period last year. The cash outflow resulted from repayments on long-term debt and obligations under capital lease whereas in the previous period a private placement of issued stock resulted in the cash inflow.

There is no unqualified assurance that Barrier will operate profitably or will generate positive cash flow in the future. In addition, Barrier's operating results in the future may be subject to significant fluctuations due to many factors not within our control, such as the unpredictability of when customers will order products, the size of customers' orders, the demand for our products, the level of competition or general economic conditions. These factors cast substantial doubt about the Company's ability to continue as a going concern is dependent upon the Company's ability to generate profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities as they come due. The Company's independent auditors included an explanatory regarding substantial doubt about the Company's ability to continue as a going concern in their report on the Company's annual financial statements for the fiscal year ended June 30, 2011.

Although management believes that revenues will increase, management also expects an increase in operating costs. Consequently, the Company expects to incur short term operating losses and negative cash flow until our products gain market acceptance sufficient to generate a commercially viable and sustainable level of sales, and/or additional products are developed and commercially released and sales of such products made so that we are operating in a profitable manner.

Current and Future Financing Needs

At June 30, 2011, the current cash and cash equivalents totaled $268,742 and there were $68,277 in available funds to draw on the revolving credit facility. The Company bases its estimate of future cash requirements on assumptions that may prove to be wrong and the requirements for cash are subject to factors, some of which are not within the control of the Company, including:

- Increased costs of general and administrative expenses
- Increased costs of raw materials and freight
- Costs associated with the research and development activities
- Costs associated with maintaining property, plant and equipment and intellectual property

Related Party Transactions

During the twelve months ended June 30, 2011 the Company incurred wages and management fees to the directors and officers of the company of ($78,682) of which $186,793 was wages and management fees and ($265,475) was share-based compensation with directors of the Company and companies with common directors. The Company paid $594,064 in wages and management fees for the same prior year-to-date ($181,064 in wages and management fees and $413,000 in share-based compensation).

Capitalization

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

Issued as of June 30, 2011: 44,454,926 common shares at $15,463,675
Issued as of Sept 27, 2011: 44,454,926 common shares at $15,463,675

Options outstanding:

The following summarizes information about the stock options outstanding at June 30, 2011:

Number	Exercise Price	Expiry Date
3,540,000	$0.12 CDN	March 18, 2012
350,000	$0.15 CDN	October 29, 2012
40,000	$0.064 CDN	June 10, 2013
3,930,000		

At June 30, 2011, the following share purchase warrants were outstanding entitling the holder to purchase one common share for each warrant held as follows:

Number	Exercise Price	Expiry Date
15,000,000	$0.15 CDN	March 18, 2012
15,000,000		

Critical Accounting Estimates

Revenue Recognition

The Company recognizes revenue in accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin 104, "Revenue Recognition", which requires that: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the sales price is fixed and determinable, and (iv) collectibility is reasonably assured. The Company recognizes revenue when the building supplies have been shipped.

The Company also recognizes revenue on a "bill-and-hold" basis in accordance with the authoritative guidance. Under the Company's "bill-and-hold" arrangements, at the request of the customer, finished inventory is segregated for future delivery at the customer's discretion. Title and risk of loss of the inventory has passed to the customer upon transfer at which time, the Company receives payment from the customer and recognizes revenue thereon.

Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about future operating performance, and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made.

Stock-based Compensation
The Company accounts for all stock-based payments and awards under the fair value based method.

Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until the counterparty performance is complete, and any change therein is recognized over the vesting period of the award and in the same manner as if the Company had paid cash instead of paying with or using equity based instruments. The cost of the stock-based payments to non-employees that is fully vested and non-forfeitable as at the grant date is measured and recognized at that date.

The Company accounts for the granting of share purchase options to employees using the fair value method whereby all awards to employees will be recorded at fair value on the date of the grant. The fair value of all share purchase options are expensed over their vesting period with a corresponding increase to additional capital surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in additional paid-in capital is recorded as an increase to share capital.

The Company uses the binomial option pricing model to determine the fair value of all stock based awards classified as liabilities and the Black-Scholes option pricing model to calculate the fair value of share purchase options. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Derivative Liabilities
The Company's free standing warrants issued in a conjunction with a private placement and share purchase options granted during the year were classified as liabilities. These liabilities are required to be measured at fair value. These instruments are adjusted to reflect fair value at each period end. Any increase or decrease in the fair value are recorded in results of operations as change in fair value of derivative liabilities except for changes in the fair value of employee stock options classified as liabilities being recorded in wages and management fees. In determining the appropriate fair value, the Company used the Black Scholes pricing model.

Other Matters
As at June 30, 2011 the Company did not have any off-balance sheet arrangements to report.

On January 18, 2011, Barrier and LP® Building Products (LP) extended their exclusive Supply Agreement where Barrier has agreed to provide exclusive fire treatment services for LP on their oriented strand board panel product (OSB) through December 31, 2013. LP is the largest producer of OSB in the world. LP will market and sell the fire treated OSB in North America under their own trade name LP® FlameBlock® Fire-Rated OSB Sheathing. Barrier has agreed not to market or sell Pyrotite® technology coated wood products under the registered trademark Blazeguard® for as long as the agreement is in place. Barrier will provide technical support. Barrier will continue to supply MuleHide FR Deck Panel to MuleHide Products, Inc. under the existing Supply Agreement executed between Barrier and MuleHide in 2004.

LP studied available fire retardant technology for OSB for some time and after an exhaustive review of available technologies, selected Pyrotite®, Barrier's proprietary and patent protected technology. The Barrier/LP partnership is particularly powerful in that it links the raw manufacturing of the OSB substrate with the company that actually mixes and produces the fire retardant slurry. Barrier and LP believe that not only will LP® FlameBlock® be recognized as the premier fire rated sheathing in the marketplace; it will be priced competitively to alternative products. LP has a strong sales and distribution network all over North America and will be able to leverage this substantial support network in a way that Barrier was never able to do successfully with its relatively small size.

More descriptive details relating to the long-term relationship of LP and Barrier will be reported as they are developed. Presently, however, Barrier and LP agree that moving quickly to establish both a customer base of support and recognition of the product in the builder community is the number one priority. Establishing market share now, while the overall building market is slow, will enable LP® FlameBlock® sales to grow exponentially as the economy improves.

LP's number one market development priority will be roof and exterior wall applications in the wildfire prone areas of California. LP® FlameBlock®'s inherent attributes of strength enhancement coupled with superior fire protection will help position it as the premier choice for residential and commercial wood framed construction because along the west coast designing for both fire and earthquake protection is required.