INTERNATIONAL BARRIER TECHNOLOGY INC.

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and 2012

(Stated in US Dollars)

Tel: 604 688 5421
Fax: 604 688 5132
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
International Barrier Technology Inc.

We have audited the accompanying consolidated balance sheets of International Barrier Technology Inc. as of June 30, 2013 and 2012 and the related consolidated statements of operations and comprehensive loss, cash flows and changes in stockholders' equity for the years then ended. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Barrier Technology Inc. at June 30, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO Canada LLP

Chartered Accountants
Vancouver, Canada

September 25, 2013

INTERNATIONAL BARRIER TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS

June 30, 2013 and June 30, 2012

(Stated in US Dollars)

ASSETS

	June 30, 2013	June 30, 2012
Current		
Cash and cash equivalents	$ 179,578	$ 101,523
Accounts receivable	182,041	114,881
Inventory - Note 3	410,900	242,465
Prepaid expenses and deposits	89,128	40,115
Total Current Assets	861,647	498,984
Property, plant and equipment - Note 4	3,060,268	3,209,061
Total Assets	$ 3,921,915	$ 3,708,045

LIABILITIES

	June 30, 2013	June 30, 2012
Current		
Accounts payable and accrued liabilities	$ 849,537	$ 495,383
Current portion of long term debt - Note 7	59,752	96,093
Obligation under capital leases - Note 8	64,575	61,440
Total Current Liabilities	973,864	652,916
Long-term debt - Note 7	312,174	371,787
Convertible debentures - Note 5	240,000	200,000
Obligation under capital leases - Note 8	141,640	170,466
Total Liabilities	1,667,678	1,395,169

STOCKHOLDERS' EQUITY

	June 30, 2013	June 30, 2012
Common Stock - Note 9		
Authorized:		
100,000,000 common shares without par value		
Issued:		
44,454,926 common shares (June 30, 2012: 44,454,926)	15,463,675	15,463,675
Additional paid-in capital	1,579,555	1,579,555
Accumulated deficit	(14,788,993)	(14,730,354)
Total Stockholders' Equity	2,254,237	2,312,876
Total Liabilities and Stockholders' Equity	$ 3,921,915	$ 3,708,045

APPROVED BY THE BOARD OF DIRECTORS

"David Corcoran" David Corcoran, Director

"Victor Yates" Victor Yates, Director

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

June 30, 2013 and 2012

(Stated in US Dollars)

	June 30, 2013	June 30, 2012
Sales	$ 5,994,994	$ 4,144,769
Cost of Sales	5,285,184	3,886,697
Gross Profit	709,810	258,072
Expenses		
Accounting and audit fees	91,745	100,646
Filing Fees	20,012	15,833
Insurance	65,138	80,672
Bank charges and interest	285	573
Legal fees	36,985	36,512
Office and miscellaneous	58,482	53,110
Sales, marketing, and investor relations	34,151	44,218
Telephone	10,128	10,975
Transfer agent fees	4,719	7,999
Wages and management fees	388,649	541,495
Total Administrative Expenses	710,294	892,033
Operating loss	(484)	(633,961)
Foreign exchange gain (loss) and other income	8,908	(7,263)
Interest on long-term obligations - Notes 7 and 8	(67,063)	(55,234)
Change in fair value of derivative liability - Note 6	-	556,762
Total Other Income (Expense)	(58,155)	494,265
Net loss for the year	$ (58,639)	$ (139,696)
Basic and diluted loss per share	$ (0.00)	$ (0.00)
Weighted average number of shares outstanding	44,454,926	44,454,926
Diluted weighted average number of shares outstanding	44,454,926	44,454,926

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

June 30, 2013 and 2012

(Stated in US Dollars)

	June 30, 2013	June 30, 2012
Operating Activities		
Net loss for the year	$ (58,639)	$ (139,696)
Items not involving cash:		
Depreciation - plant and equipment	303,914	295,466
Amortization - patent, trademark and technology rights	-	19,273
Stock-based compensation - investor relations	-	5,429
Stock-based compensation - wages	-	129,015
Change in fair value of derivative liability	-	(556,762)
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(67,160)	(65,056)
Inventory	(168,435)	(12,239)
Prepaid expenses and deposits	(49,013)	6,244
Accounts payable and accrued liabilities	354,154	93,821
Customer deposits	-	(19,844)
Net cash provided by (used in) operating activities	314,821	(244,349)
Cash Flows provided by Financing Activities		
Issuance of Convertible debentures	40,000	200,000
Advances on bank loan facility	-	490,000
Repayment of bank loan facility	-	(181,723)
Repayment line of credit	(40,000)	-
Repayment on long term debt	(55,954)	(256,872)
Decrease in obligations under capital lease	(25,691)	(57,912)
Net cash provided by (used in) financing activities	(81,645)	193,493
Cash Flows used in Investing Activities		
Acquisition of equipment and building improvements	(155,121)	(116,363)
Net cash used in investing activities	(155,121)	(116,363)
Increase (decrease) in cash and cash equivalents during the period	78,055	(167,219)
Cash and cash equivalents, beginning of the period	101,523	268,742
Cash and cash equivalents, end of the period	$ 179,578	$ 101,523
Supplemental Cash Flow Information		
Cash paid for interest	$ 59,582	$ 50,176
Cash paid for income taxes		$ -

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
June 30, 2013 and 2012
(Stated in US Dollars)

	Common Stock				
	Issued Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, June 30, 2011	44,454,926	15,463,675	1,030,593	(14,360,735)	2,133,533
Cumulative effect of accounting change	-	-	395,362	(229,923)	165,439
Stock-based compensation	-	-	153,600	-	153,600
Net loss for the year	-	-	-	(139,696)	(139,696)
Balance, June 30, 2012	44,454,926	15,463,675	1,579,555	(14,730,354)	2,312,876
					-
Net loss for the period	-	-	-	(58,639)	(58,639)
Balance, June 30, 2013	44,454,926	15,463,675	1,579,555	(14,788,993)	2,254,237

SEE ACCOMPANYING NOTES

Note 1 Nature of Operations

The Company develops, manufactures and markets proprietary fire resistant building materials branded as Blazeguard in the United States of America and, as well, the Company owns the exclusive U.S. and international rights to the Pyrotite fire retardant technology.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its obligations and commitments in the normal course of operations. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The Company was incorporated under the British Columbia Company Act and is publicly traded on the TSX Venture Exchange in Canada ("TSX-V") and the OTC Bulletin Board in the United States of America. During the years ended June 30, 2013 and June 30, 2012, the Company had assets in each of Canada and the United States of America and generated sales primarily in the United States of America.

Note 2 Significant Accounting Policies

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. The Company regularly evaluates estimates and assumptions related to deferred income tax asset valuations, asset impairment, derivative liability, stock based compensation and loss contingencies. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

The financial statements have, in management's opinion, been properly prepared 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 Canadian company and Barrier Technology Corporation ("Barrier"), a US company. All inter-company transactions and balances have been eliminated.

Note 2 Significant Accounting Policies – (cont'd)

b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term term deposits, redeemable within 90 days of inception, held at Canadian banks.

c) Inventory

Inventory is valued by management at the lower of cost on a FIFO (first-in, first-out) basis and net realizable value. In addition, items such as abnormal amounts of idle facility expense, freight, handling and wasted material are recognized as current period charges rather than inventory value.

d) Plant and Equipment, Trademark and Technology Rights and Depreciation

Plant and equipment and trademark and technology rights are recorded at cost. Depreciation is provided as follows:

Manufacturing equipment	straight line over estimated useful lives ranging from 5 years to 30 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
Patent, trademark and technology rights	straight line over 8 years

Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful economic life.

e) 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.

f) Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all 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 payments 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.

Note 2 Significant Accounting Policies – (cont'd)

g) Foreign Currency Translation

The functional currency for the Company's operations is the US dollar. Monetary assets and liabilities denominated in Canadian dollars are translated into U.S. dollars at the exchange rate prevailing at the end of the year. Non-monetary assets and liabilities are translated at the exchange rate prevailing at the respective transaction dates while revenues and expenses are translated at the average exchange rate during the year. Exchange gains and losses are recognized in the statement of operations.

h) Research and Development Costs

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

i) Basic and Diluted Gain (Loss) per Share

Basic net gain per common share is calculated by dividing net gain by the weighted-average number of common shares outstanding for the period. Diluted net gain per common share includes both the weighted-average number of common shares outstanding for the period plus the potentially dilutive securities from stock options and warrants outstanding. The number of shares potentially issuable at June 30, 2013 and 2012 upon exercise or conversion of share purchase warrants and share purchase options and the conversion of convertible debentures totalled 8,052,500 and 8,230,000 respectively. These instruments were excluded from the calculation of diluted earnings per share because their effect is anti-dilutive.

k) Fair Value Measurements

The book value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short term maturity of those instruments. Based on borrowing rates currently available to the Company under similar terms, the book value of long term debt, convertible debentures and capital lease obligations approximate their fair values. The fair value hierarchy under GAAP is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - observable inputs other than Level I, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable; and

Level 3 - assets and liabilities whose significant value drivers are unobservable by little or no market activity and that are significant to the fair value of the assets or liabilities.

Certain of the Company's cash equivalents, consisting of short-term term deposits, are based on Level 2 inputs in the ASC 820 fair value hierarchy.

The Company's long-term debt is based on Level 2 inputs in the ASC 820 fair value hierarchy. Based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities, the fair value of the long-term debt is $371,926 (2012:$467,850).

Note 2 Significant Accounting Policies – (cont'd)

(k) Fair Value Measurements – (cont'd)

The Company's convertible debentures are based on Level 2 inputs in the ASC 820 fair value hierarchy. The Company calculated the fair value of these instruments by discounting future cash flows using rates representative of current borrowing rates. At June 30, 2013, the convertible debentures had a fair value of $431,022 (2012: $309,185).

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). There were no assets or liabilities measured at fair value on a nonrecurring basis during the periods ended June 30, 2013 and 2012.

l) Accounts Receivable and Concentrations of Credit Risk

The Company grants credit to its customers in the normal course of business. Trade receivables are typically non-interest bearing and are initially recorded at cost. Sales to the Company's recurring customers are generally made on open account terms. Past due status of customer accounts is determined based on how recently payments have been received in relation to payment terms granted. Credit is generally extended based upon an evaluation of each customer's financial condition, with terms consistent in the industry and no collateral required. Losses from credit sales are provided for in the financial statements and consistently have been within the allowance provided. The allowance is an estimate of the uncollectibility of accounts receivable based on an evaluation of specific customer risks along with additional reserves based on historical and probable bad debt experience. Amounts are written off against the allowance in the period the Company determines that the receivable is uncollectible. The Company has not recorded an allowance for doubtful accounts against its accounts receivable in each of the years ended June 30, 2013 or June 30, 2012.

(m) Currency Risk

The Company holds cash of $686 (2012: $57,190) in Canadian dollars exposing it to a foreign currency exchange risk. During the year ended June 30, 2013, the Company realized a foreign exchange gain of $8,117 (2012: foreign exchange loss of $8,531) as a result of the Company holding cash in Canadian dollars.

n) Revenue Recognition

The Company recognizes revenue in accordance with Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 605, "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) collection is reasonably assured. The Company recognizes revenue when the building supplies have been shipped.

The Company also periodically 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 segregation, at which time the Company receives payment from the customer and recognizes revenue thereon.

Revenue for LP® FlameBlock Fire-Rated OSB Sheathing includes only the charges for treatment services, not the underlying OSB substrate or outbound freight as the customer supplies its own OSB substrate and contracts for its own outgoing freight.

Note 2 Significant Accounting Policies – (cont'd)

o) 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. Deferred 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. Deferred 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 deferred income tax assets and liabilities is recognized in operations in the year of change. A valuation allowance is recorded when it is "more likely-than-not" that a deferred tax asset will not be realized.

p) 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. Share purchase options granted to employees are accounted for as liabilities when they contain conditions or other features that are indexed to other than a market, performance or service condition.

The Company uses the Black-Scholes option pricing model to calculate the fair value of share purchase options and the binomial option pricing model to determine the fair value of all stock based awards classified as liabilities. 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.

q) Recently Issued Accounting Pronouncements

New accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standards setting bodies that we adopt according to the various timetables the FASB specifies. The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow.

(Stated in US Dollars)

Note 3 Inventory

	June 30, 2013	June 30, 2012
Raw materials	$ 320,338	$ 189,028
Finished goods	90,562	53,437
	$ 410,900	$ 242,465

Note 4 Property, Plant and Equipment

	June 30, 2013		
	Cost	Accumulated Depreciation	Net
Manufacturing Equipment	3,684,056	1,652,222	2,031,834
Equipment and Furniture	33,194	33,194	-
Computer Equipment	30,032	30,032	-
Subtotal Equipment	3,747,282	1,715,448	2,031,834

	June 30, 2013		
Assets under Capital Lease	Cost	Accumulated Depreciation	Net
Equipment	109,186	50,526	58,660
Land	54,498	-	54,498
Building	1,943,875	1,071,070	872,805
Railroad Spur	94,108	51,637	42,471
Subtotal Assets under Capital Lease	2,201,667	1,173,233	1,028,434
Total Property, Plant and Equipment	$ 5,948,949	$ 2,888,681	$ 3,060,268

(Stated in US Dollars)

Note 4 Property, Plant and Equipment – (cont'd)

	June 30, 2012		
	Cost	Accumulated Depreciation	Net
Manufacturing Equipment	$ 3,634,499	$ 1,444,381	$ 2,190,118
Equipment and Furniture	33,194	33,194	-
Computer Equipment	30,032	30,032	-
Subtotal Equipment	3,697,725	1,507,607	2,190,118

	June 30, 2012		
Assets under Capital Lease	Cost	Accumulated Depreciation	Net
Equipment	69,696	44,529	25,167
Land	54,498	-	54,498
Building	1,877,801	983,783	894,018
Railroad Spur	94,108	48,848	45,260
Subtotal Assets under Capital Lease	2,096,103	1,077,160	1,018,943
Total Property, Plant and Equipment	$ 5,793,828	$ 2,584,767	$ 3,209,061

During the year ended June 30, 2013, the Company recorded depreciation expense of $303,914 (2012: $295,466) on its property, plant and equipment. This amount is included in cost of sales in the Statement of Operations

Depreciation of assets under capital leases included in amortization expense for the year ended June 30, 2013 was $96,073 (2012: $102,068).

Note 5 Convertible Debentures

During the year ended June 30, 2012, the Company approved the issuance of two convertible debentures to a director and a company controlled by a director in the amount of $300,000. The debentures are being issued in tranches from $10,000 - $50,000 and as at June 30, 2013 the Company had received $240,000 (2012: $200,000) in respect of these debentures. The debentures bear interest at 12% per annum, payable quarterly, and are collateralized by a third charge over the Company's plant and equipment as well as a charge against the Company's patents. At any time, the notes are convertible into units of the Company at a price of $0.10 per unit. Each unit will consist of one common share and one common share purchase warrant entitling the holder the right to purchase one additional share for $0.10 for a period of two years from the conversion date. During the year ended June 30, 2013, the Company incurred interest charges of $ 27,158 (2012: $10,559) on these convertible debentures.

(Stated in US Dollars)

Note 6 Warrant Liability

During the year ended June 30, 2010, the Company sold 15,000,000 units at $0.10CDN per unit for total proceeds of $1,482,974 ($1,500,000CDN). Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase an additional common share at $CDN 0.15 for a period of two years. Upon the adoption of the guidance in ASC 815-40-15 which became effective for the fiscal year that commenced July 1, 2009, the Company recorded the warrants issued as derivative liabilities due to their exercise price being denominated in a currency other than the Company's US dollar functional currency.

The warrant liability was re-valued at the end of each reporting period with the change in fair value of the derivative liability recorded as a gain or loss in the Company's Consolidated Statements of Operations. The warrant liability was accounted for at its fair value as follows:

	June 30, 2013	June 30, 2012
Beginning Fair Value	$ -	$ 566,762
Change in Fair Value	-	(566,762)
Ending Fair Value	$ -	$ -

The warrants expired during the year ended June 30, 2012.

(Stated in US Dollars)

Note 7 Long-term Debt

	June 30, 2013	June 30, 2012
Revolving promissory note in the amount of $100,000 bearing interest at 6.25% per annum and is unsecured. The promissory note is repayable on demand, but if no demand for repayment is made, on March 1, 2014. As at June 30, 2013, the Company does not have any borrowings outstanding on this note.	-	$ 40,000
Term bank loan facility in the amount of $450,000 bearing interest at 6.25% and collateralized by a security interest in inventory, accounts receivable, equipment and all intangibles of the Company as well as an assignment of the building lease. The facility is being amortized over 4 years with fixed monthly blended payments of principal and interest totaling $6,800 with a balloon payment due on January 1, 2016	371,926	427,880
Subtotal including Current Portion	371,926	467,880
Less: current portion	(59,752)	(96,093)
Total Long-Term Debt	$ 312,174	$ 371,787

Future principal payments required on long-term debt are as follows:

	2014	$ 59,752
	2015	63,650
	2016	248,524
Total Future Long-Term Debt Principal Payments		$ 371,926

(Stated in US Dollars)

Note 8 Obligation under Capital Leases

Future minimum annual lease payments on the obligation under capital leases are as follows:

2014	$	81,173
2015		81,173
2016		44,363
2017		7,552
2018		7,552
2019		2,517
Subtotal Including Interest		224,330
Less: amount representing interest		(18,115)
Subtotal Including Current Portion		206,215
Less: current portion		(64,575)
Long-term portion	$	141,640

The capital leases bear interest at various rates from 4.75% to 6% per annum.

Interest on capital leases included in interest on long-term debt for the year ended June 30, 2013 was $12,181 (2012: $15,710).

Note 9 Common Stock

a) Escrow:

At June 30, 2013, there are 48,922 (2012 – 48,922) common shares held in escrow by the Company’s transfer agent, the release which is subject to the approval of the regulatory authorities. As at June 30, 2013, all of these shares held in escrow are issuable but the Company has yet to request their release. These shares have been included in the computation of net loss per share.

b) Commitments:

Stock-based Compensation Plan

In November 2005, the Company continued its rolling stock option plan (“the 2005 Rolling Plan”). The 2005 Rolling Plan provides for the granting of stock options to selected directors, officers, employees or consultants in an aggregate amount of up to 10% of the issued and outstanding common shares of the Company. Under the 2005 Rolling Plan, the granting of stock options, exercise prices and terms are determined by the Company's Board of Directors. Options granted to non-executive employees and consultants typically vest in stages over various periods of time while options granted to Directors and executive employees vest immediately upon their grant. The exercise price shall not be less than the Discounted Market Price, which is defined as the last closing price of the common shares before the date of the grant less an applicable discount, as allowed by the regulatory authorities. Options granted under the 2005 Rolling Plan may not exceed a term of 5 years unless the Company achieves classification as a “Tier 1 “ issuer in accordance with the policies of the TSX, in which case, the options may be granted for a maximum term of 10 years.

(Stated in US Dollars)

Note 9 Common Stock – (cont'd)

b) Commitments: - (cont'd)

Stock-based Compensation Plan – (cont'd)

A summary of the status of the Company's share purchase option plan as of June 30, 2013 and 2012 and changes during the years ending on those dates is presented below:

	Number of Shares	Weighted Average Exercise Price	
Outstanding, June 30, 2011	3,930,000	$0.12	CDN
Granted	3,840,000	$0.10	
Expired	(3,540,000)	$0.12	CDN
Forfeited	-	-	
Outstanding, June 30, 2012	4,230,000	$0.10	
Granted	-	-	
Expired	(390,000)	$0.14	CDN
Forfeited	(587,500)	$0.10	
Outstanding, June 30, 2013	3,252,500	$0.10	
Exercisable, June 30, 2013	3,252,500	$0.10	
Excercisable, June 30, 2012	4,230,000	$0.10	

The following summarizes information about share purchase options outstanding as at June 30, 2013:

Number	Exercise Price	Expiry Date	Remaining Contractual Life
3,252,500	$0.10	May 15, 2015	1.87 years

The weighted-average grant date fair value of options granted during the year ended June 30, 2012 was $0.10.

Subsequent to June 30, 2013, the Company granted 1,177,500 share purchase options to directors, officers, employees and consultants of the Company exercisable at $0.097 US per common share for a period of three years.

(Stated in US Dollars)

Note 9 Common Stock – (cont'd)

b) Commitments: - (cont'd)

Stock-based Compensation Plan – (cont'd)

Employee Share Purchase Options

During the year ended June 30, 2012, the Company granted a total of 3,840,000 share purchase options to various directors, employees and consultants exercisable at $0.10 per share until May 15, 2015. These options were fully vested at the date of issuance. The fair value of these options was determined to be $115,200, which was recognized in the consolidated statement of operations and comprehensive loss for the year ended June 30, 2012.

The fair value of the stock options granted was determined using the Black Scholes option pricing model using the following assumptions: expected dividend yield: 0.00%, expected volatility: 116.48%, risk-free interest rate: 0.38%, expected term: 3.00 years.

Note 10 Research and Development Costs

Research and development expense, included in cost of sales, consists of the following for the years ended June 30, 2013 and 2012.

	June 30, 2013	June 30, 2012
Testing Services	$ 30,137	$ 31,625

Note 11 Income Taxes

The tax effects of the temporary differences that give rise to the Company's estimated deferred tax assets and liabilities are as follows:

	June 30, 2013	June 30, 2012
Net operating losses	$ 1,776,000	$ 1,944,000
Property, plant and equipment	(12,000)	(69,000)
Expenses not currently deductible	1,000	17,000
Research and development	-	37,000
Valuation allowance	(1,765,000)	(1,929,000)
Net deferred tax assets	$ -	$ -

The provision for income taxes differs from the amount established using the statutory income tax rate as follows:

	June 30, 2013	June 30, 2012
Income tax expense (benefit) at statutory rate	$ (15,000)	$ (35,600)
Foreign income taxed at foreign statutory rate	12,000	(23,100)
Expiry of loss carryforward	66,000	-
Adjustment to loss carryforward	87,000	-
Change in fair value of derivative liability	-	(141,600)
Stock-based compensation	-	34,300
Effect of foreign exchange and other	44,000	94,600
Effect of reduction in tax rates	(30,000)	1,400
Change in valuation allowance	(164,000)	70,000
Net deferred tax assets	$ -	$ -

(Stated in US Dollars)

Note 11 Income Taxes – (cont'd)

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of future tax assets, the impact of the change on the valuation allowance is reflected in current income. As management of the Company does not currently believe that it is more likely than not that the Company will receive the benefit of this asset, a valuation allowance equal to the future tax asset has been established at both June 30, 2013 and June 30, 2012.

As at June 30, 2013, the Company had estimated net operating loss carry-forwards available to reduce taxable income in future years, which were incurred in the United States and Canada and which expire as follows:

Year ended June 30:	United States	Canada	Total
2014	$ -	$ 77,000	$ 77,000
2015		160,000	160,000
2019	194,000	-	194,000
2020	146,000	-	146,000
2021	208,000	-	208,000
2022	134,000	-	134,000
2023	32,000	-	32,000
2024	134,000	-	134,000
2026	-	172,000	172,000
2027	331,000	207,000	538,000
2028	848,000	175,000	1,023,000
2029	493,000	177,000	670,000
2030	774,000	146,000	920,000
2031	354,000	105,000	459,000
2032	289,000	264,000	553,000
2033	-	199,000	199,000
Total Net Operating Loss Carry-Forwards	$ 3,937,000	$ 1,682,000	$ 5,619,000

Uncertain Tax Positions

The Company has adopted certain provisions of ASC 740, "Income Taxes", which prescribes a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken or expected to be taken in income tax returns. The provisions also provide guidance on the de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, and accounting for interest and penalties associated with tax positions.

The Company files income tax returns in the U.S. and Canadian federal jurisdictions and various state jurisdictions. The Company's tax returns are subject to tax examinations by U.S. and Canadian federal and state tax authorities until respective statutes of limitation. The Company currently has no tax years under examination. The Company is subject to tax examinations by tax authorities for all taxation years commencing after 2003.

Note 11 Income Taxes – (cont'd)

Uncertain Tax Positions – (cont'd)

At June 30, 2013, the Company does not have an accrual relating to uncertain tax positions. It is not anticipated that unrecognized tax benefits would significantly increase or decrease within 12 months of the reporting date.

Provision has not been made for U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries. Such earnings have been and will continue to be reinvested but could become subject to additional tax if they were remitted as dividends, or were loaned to the Company affiliate. It is not practicable to determine the amount of additional tax, if any, that might be payable on the undistributed foreign earnings.

Note 12 Segmented information and sales concentration

The Company operates in one industry segment being the manufacturing and marketing of fire resistant building materials. Substantially all of the Company's revenues and long-term assets are located in the United States.

Barrier sells LP® FlameBlock Fire-Rated OSB Sheathing to LP® Building Products ("LP") and sales to LP accounted for 70% of Fiscal 2013 revenues. Barrier sells MuleHide FR Deck Panel to MuleHide Products ("MuleHide"), Inc. and sales to MuleHide accounted for 30% of Fiscal 2013 revenues. In 2012, sales to LP accounted for 61% of sales revenues and MuleHide accounted for 38%. The amounts receivable from each of these customers at June 30, 2013 is $179,720 and $0 respectively (2012: $89,936 and $17,662 respectively).

The loss of either of these customers or the curtailment of purchases by such customers could have material adverse effects on the Company's financial condition and results of operations.