INTERNATIONAL BARRIER TECHNOLOGY INC.

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015 and 2014

(Stated in US Dollars)

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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, 2015 and 2014 and the related consolidated statements of operations, 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, 2015 and 2014 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 28, 2015

INTERNATIONAL BARRIER TECHNOLOGY, INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2015 and June 30, 2014
(Stated in US Dollars)

ASSETS

	June 30, 2015	June 30, 2014
Current		
Cash and cash equivalents	$ 804,452	$ 708,926
Accounts receivable	405,859	235,714
Inventory - Note 3	640,219	448,490
Prepaid expenses and deposits	59,879	46,655
Total Current Assets	1,910,409	1,439,785
Property, plant and equipment – Note 4	3,014,476	2,877,530
Total Assets	$ 4,924,885	$ 4,317,315

LIABILITIES

	June 30, 2015	June 30, 2014
Current		
Accounts payable and accrued liabilities	$ 653,931	$ 714,994
Current portion of long term debt - Note 6	-	63,650
Obligation under capital leases - Note 7	48,740	75,494
Total Current Liabilities	702,671	854,138
Long-term debt - Note 6	-	248,460
Convertible debentures - Note 5	240,000	240,000
Obligation under capital leases – Note 7	40,139	59,473
Total Liabilities	982,810	1,402,071

STOCKHOLDERS' EQUITY

	June 30, 2015	June 30, 2014
Common Stock - Note 8		
Authorized:		
100,000,000 common shares without par value		
Issued:		
47,807,426 common shares (June 30, 2014: 44,554,926)	15,934,256	15,478,926
Additional paid-in capital	1,509,283	1,639,363
Accumulated deficit	(13,501,464)	(14,203,045)
Total Stockholders' Equity	3,942,075	2,915,244
Total Liabilities and Stockholders' Equity	$ 4,924,885	$ 4,317,315

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, 2015 and 2014

(Stated in US Dollars)

	June 30, 2015	June 30, 2014
Sales - Note 11	$ 8,471,952	$ 8,154,389
Cost of Sales	6,680,576	6,587,896
Gross Profit	1,791,376	1,566,493
Expenses		
Accounting and audit fees	77,693	80,220
Filing Fees	25,052	22,123
Insurance	85,438	80,456
Bank charges and interest	112	65
Legal fees	89,763	74,712
Office and miscellaneous	70,488	72,809
Sales, marketing, and investor relations	43,484	23,067
Telephone	12,888	12,338
Transfer agent fees	6,391	7,971
Wages and management fees	605,511	497,169
Total Administrative Expenses	1,016,820	870,930
Operating Income (loss)	774,556	695,563
Foreign exchange gain (loss) and other income	1,129	(261)
Interest & Penalties	(19,687)	(48,062)
Interest on long-term obligations	(54,417)	(61,292)
Total Other Expense	(72,975)	(109,615)
Net income (loss) for the period	$ 701,581	$ 585,948
Basic income per share	$ 0.02	$ 0.01
Diluted income per share	$ 0.01	$ 0.01
Weighted average number of shares outstanding:		
Basic	44,991,563	44,503,726
Diluted	51,753,562	49,403,200

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2015 and 2014
(Stated in US Dollars)

	June 30, 2015	June 30, 2014
Operating Activities		
Net income (loss) for the year	$ 701,581	$ 585,948
Items not involving cash:		
Depreciation - plant and equipment	337,777	316,862
Stock-based compensation - consulting	-	2,220
Stock-based compensation - wages	-	63,139
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(170,145)	(53,673)
Inventory	(191,729)	(37,590)
Prepaid expenses and deposits	(13,224)	42,473
Accounts payable and accrued liabilities	(61,063)	(134,543)
Net cash provided by operating activities	603,197	784,836
Cash Flows provided by Financing Activities		
Issuance of Common Shares	325,250	9,700
Repayment on long term debt	(312,110)	(59,816)
Decrease in obligations under capital lease	(46,088)	(71,248)
Net cash used in financing activities	(32,948)	(121,364)
Cash Flows used in Investing Activities		
Acquisition of equipment	(474,723)	(134,124)
Net cash used in investing activities	(474,723)	(134,124)
Increase in cash and cash equivalents during the period	95,526	529,348
Cash and cash equivalents, beginning of the period	708,926	179,578
Cash and cash equivalents, end of the period	$ 804,452	$ 708,926
Supplemental Cash Flow Information		
Cash paid for interest	$ 54,417	$ 61,292
Cash paid for income taxes	$ -	$ -

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

June 30, 2015 and 2014

(Stated in US Dollars)

	Common Stock				
	Issued Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, June 30, 2013	44,454,926	15,463,675	1,579,555	(14,788,993)	2,254,237
Stock Based Compensation	-	-	65,359	-	65,359
Exercise of options	100,000	9,700	-	-	9,700
Fair value of stock options exercised	-	5,551	(5,551)	-	-
Net income for the period	-	-	-	585,948	585,948
Balance, June 30, 2014	44,554,926	15,478,926	1,639,363	(14,203,045)	2,915,244
Exercise of options	3,252,500	325,250	-	-	325,250
Fair value of stock options exercised	-	130,080	(130,080)	-	-
Net Income for the period	-	-	-	701,581	701,581
Balance, June 30, 2015	47,807,426	15,934,256	1,509,283	(13,501,464)	3,942,075

Note 1 Nature of Operations

The Company develops and manufactures proprietary fire resistant building materials 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. All of the Company's revenues and substantially all of the long-term assets are located in the United States. There are minimal long-term assets held in Canada.

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.

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.

b) Cash and Cash Equivalents

The Company considers highly liquid investments with insignificant interest rate risk and an original maturity of three months or less on the purchase date to be cash equivalents.

c) Inventory

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

Note 2 Significant Accounting Policies – (cont'd)

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.

g) Foreign Currency Translation

The functional currency for the Company's operations is the U.S. 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.

(Stated in US Dollars)

Note 2 Significant Accounting Policies – (cont'd)

h) Research and Development Costs

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

i) Basic and Diluted Income (Loss) per Share

Earnings or loss per share ("EPS") is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income (loss) by the weighted-average of all potentially dilutive shares of common stock that were outstanding during the periods presented. The number of shares potentially issuable at June 30, 2015 upon the exercise or conversion of share purchase warrants, share purchase options and conversion of convertible debentures totaled 5,877,500. The number of shares potentially issuable at June 30, 2014 upon exercise or conversion of share purchase warrants and share purchase options and the conversion of convertible debentures totaled 9,130,000.

The treasury stock method is used in calculating diluted EPS for potentially dilutive stock options and share purchase warrants, which assumes that any proceeds received from the exercise of in-the-money stock options and share purchase warrants, would be used to purchase common shares at the average market price for the period.

EPS for convertible debt is calculated under the "if-converted" method. Under the if converted method, EPS is calculated as the more dilutive of EPS (i) including all interest (both cash interest and non-cash discount amortization) and excluding all shares underlying the Notes or; (ii) excluding all interest and costs directly related to the convertible debt (both cash interest and non-cash discount amortization) and including all shares underlying the convertible debt.

The basic and diluted earnings per share for the years ended June 30, 2015 and 2014 were calculated as follows:

	June 30, 2015	June 30,2014
Basic		
Numerator		
Net income	$ 701,581	$ 585,948
Denominator		
Weighted average common shares outstanding	44,991,563	44,503,726
Basic net income per share	$ 0.02	$ 0.01
Diluted		
Numerator		
Net income	$ 701,581	$ 585,948
Convertible debt interest	28,800	28,800
Net income for diluted income per share	$ 730,381	$ 614,748
Denominator		
Weighted average common shares outstanding	44,991,563	44,503,726
Potential share issuances		
Common share options	2,697,321	1,633,215
Common share warrants	1,664,678	866,259
Convertible debentures	2,400,000	2,400,000
Weighted average number of common shares outstanding used in computing diluted earnings per share	51,753,562	49,403,200
Diluted earnings per share	$0.01	$0.01

Note 2 Significant Accounting Policies – (cont'd)

j) 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, 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 $nil (2014: $312,110).

The Company's convertible debentures are based on Level 2 inputs in the ASC 820 fair value hierarchy. The Company calculates the fair value of these instruments by aggregating the fair values of each of the debt and equity components of the instrument.

The fair of debt component is calculated by discounting the future cash flows using a rate that is representative of the current arms-length borrowing rate. The fair value of the equity component is calculated by using the Black Scholes pricing model to determine the fair value of the warrant included in the equity unit issuable to the debt holder on conversion of the debt.

At June 30, 2015, the convertible debentures had a fair value of $790,630 (2014: $779,196).

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, 2015 and 2014.

Note 2 Significant Accounting Policies – (cont'd)

k) 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 ability to collect 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, 2015 and June 30, 2014.

(l) Currency Risk

During the year ended June 30, 2015, the Company realized a foreign exchange gain of $nil (2014: $611) as a result of the Company having some vendor payments that were paid in Canadian dollars.

m) 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. 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.

The Company periodically enters into arrangements that contain multiple deliverable elements requiring an evaluation of each deliverable to determine whether it represents a separate unit of accounting. Each delivered item constitutes a separate unit of accounting when it has stand-alone value to the customer obligating the Company to determine a selling price for each deliverable. During the year ended June 30, 2014, the Company entered into a license fee agreement by which the Company was required to transfer a license of its intellectual property to the licensee along with providing follow-up technical support and assistance. The licensee paid an upfront fee of $100,000 which was recognized in revenue for the year ended June 30, 2014 as the Company had completed its obligations. In accordance with the terms of the agreement the licensee pays royalties to the Company for the product it manufactures and sells. License fees are recognized as earned in accordance with the terms of the agreement when the license fees can be reasonably estimated and collectability is reasonably assured.

Note 2 Significant Accounting Policies – (cont'd)

n) 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.

o) 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.

(Stated in US Dollars)

Note 2 Significant Accounting Policies – (cont'd)

p) Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 regarding Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers. The standard provides principles for recognizing revenue for the transfer of promised goods or services to customers with the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance was to be effective for the Company in the first quarter of the June 30, 2018 fiscal year using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the guidance; or (ii) retrospective with the cumulative effect of initially applying the guidance recognized at the date of initial application and providing certain additional disclosures as defined per the guidance. In August 2015, the FASB issued ASU 2015-14 to defer the effective date of the guidance contained in ASU 2014-15 by one year. Thus, the guidance is effective for the Company commencing in the first quarter of the June 30, 2019 fiscal year. Management is currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

q) Comparative Financial Information

Certain of the comparative financial information has been reclassified to conform with the financial statement presentation in the current year.

Note 3 Inventory

	June 30, 2015	June 30, 2014
Raw materials	$ 387,469	$ 365,414
Finished goods	252,750	83,076
	$ 640,219	$ 448,490

(Stated in US Dollars)

Note 4 Property, Plant and Equipment

	June 30, 2015 Cost	June 30, 2015 Accumulated Depreciation	June 30, 2015 Net
Manufacturing Equipment	$ 3,806,970	$ 2,093,596	$ 1,713,374
Equipment and Furniture	33,194	33,194	-
Computer Equipment	30,032	30,032	-
Subtotal Equipment	3,870,196	2,156,822	1,713,374

Assets under Capital Lease	June 30, 2015 Cost	June 30, 2015 Accumulated Depreciation	June 30, 2015 Net
Equipment	166,507	75,334	91,173
Land	54,498	-	54,498
Building	2,372,488	1,251,992	1,120,496
Railroad Spur	94,108	59,173	34,935
Subtotal Assets under Capital Lease	2,687,801	1,386,499	1,301,102
Total Property, Plant and Equipment	$ 6,557,797	$ 3,543,321	$ 3,014,476

	June 30, 2014 Cost	June 30, 2014 Accumulated Depreciation	June 30, 2014 Net
Manufacturing Equipment	$ 3,700,739	$ 1,869,333	$ 1,831,406
Equipment and Furniture	33,194	33,194	-
Computer Equipment	30,032	30,032	-
Subtotal Equipment	3,763,965	1,932,559	1,831,406

Assets under Capital Lease	June 30, 2014 Cost	June 30, 2014 Accumulated Depreciation	June 30, 2014 Net
Equipment	109,186	61,435	47,751
Land	54,498	-	54,498
Building	2,061,317	1,156,145	905,172
Railroad Spur	94,108	55,405	38,703
Subtotal Assets under Capital Lease	2,319,109	1,272,985	1,046,124
Total Property, Plant and Equipment	$ 6,083,074	$ 3,205,544	$ 2,877,530

During the year ended June 30, 2015, the Company recorded depreciation expense of $337,777 (2014: $316,862) 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, 2015 was $113,514 (2014: $99,752).

(Stated in US Dollars)

Note 5 Convertible Debenture

During the year ended June 30, 2012, the Company approved the issuance of two convertible promissory 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, 2015 the Company had received $240,000 (2014: $240,000) 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, 2015, the Company incurred interest charges of $28,800 (2014: $28,800) on these convertible debentures. The promissory debentures mature on January 30, 2017.

Note 6 Long-term Debt

	June 30, 2015	June 30, 2014
Revolving promissory note in the amount of $500,000 bearing interest at 5.5% per annum and is unsecured. The promissory note is repayable on demand, but if no demand for repayment is made, on June 22, 2016. As at June 30, 2015, the Company has not drawn any funds on this note.	-	-
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. The term loan was paid in full in June.	-	312,110
Subtotal including Current Portion	-	312,110
Less: current portion	-	(63,650)
Total Long-Term Debt	$ -	$ 248,460

(Stated in US Dollars)

Note 7 Obligation under Capital Leases

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

2016	$ 51,396
2017	14,585
2018	14,585
2019	9,550
2020	4,102
Subtotal Including Interest	94,218
Less: amount representing interest	(5,339)
Subtotal Including Current Portion	88,879
Less: current portion	(48,740)
Long-term portion	$ 40,139

The capital leases bear interest at various rates from 4.00% to 6% per annum.

Interest on capital leases included in interest on long-term debt for the year ended June 30, 2015 was $6,633 (2014: $9,925).

Note 8 Common Stock

a) Escrow:

At June 30, 2015, there are 48,922 (2014 – 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, 2015, 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 8 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, 2015 and 2014 and changes during the years ending on those dates is presented below:

	Number of Shares		Weighted Average Exercise Price		Aggregate Intrinsic Value
Outstanding, June 30, 2013	3,252,500	$	0.10	$	-
Granted	1,177,500	$	0.097		
Exercised	(100,000)	$	0.097		
Outstanding, June 30, 2014	4,330,000	$	0.10	$	509,843
Exercised	(3,252,500)	$	0.10		
Outstanding, June 30, 2015	1,077,500	$	0.097	$	183,175
Exercisable, June 30, 2015	1,077,500	$	0.097		
Exercisable, June 30, 2014	4,330,000	$	0.10		

The following summarizes information about share purchase options outstanding as at June 30, 2015:

Number	Exercise Price	Expiry Date	Remaining Contractual Life
1,077,500	$0.097	August 2, 2016	1.09 years
1,077,500			

The weighted-average grant date fair value of options granted during the years 2015 and 2014 was nil and $0.056 respectively.

As June 30, 2015, the total unamortized stock-based compensation cost expected to vest in future fiscal periods is $Nil (2014: $Nil).

(Stated in US Dollars)

Note 8 Common Stock – (cont'd)

b) Commitments: - (cont'd)

Stock-based Compensation Plan – (cont'd)

Employee Share Purchase Options

During the year ended June 30, 2014, the Company granted 1,177,500 fully vested share purchase options having a fair value of $65,359.

The fair value of the stock options granted was calculated using the Black Scholes option pricing model using the following weighted average assumptions: stock price - $0.058; exercise price - $0.097; expected life – 3.0 yrs; volatility: 246.16%, risk-free discount rate: 0.59%, dividend rate – 0.00%.

Note 9 Research and Development Costs

Research and development expense, included in cost of sales, consists of the following for the years ended June 30, 2015 and 2014.

	June 30, 2015	June 30, 2014
Testing Services	$ 30,356	$ 27,740

Note 10 Income Taxes

The components of net income (loss) for the years ended June 30, 2015 and 2014 are as follows:

	June 30, 2015	June 30, 2014
U.S.	$ 971,801	$ 809,870
Non U.S.	(270,220)	(223,922)
	$ 701,581	$ 585,948

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, 2015	June 30, 2014
Net operating losses	$ 1,054,000	$ 1,563,000
Property, plant and equipment	(17,000)	(30,000)
Expenses not currently deductible	7,000	34,000
Valuation allowance	(1,044,000)	(1,567,000)
Net deferred tax assets	$ -	$ -

(Stated in US Dollars)

Note 10 Income Taxes – (cont'd)

The provision for income taxes differs from the amount established using the Canadian statutory income tax rate (26%) as follows:

	June 30, 2015	June 30, 2014
Income tax expense (benefit) at statutory rate	$ 182,000	152,000
Foreign income taxed at foreign statutory rate	109,000	94,000
Expiry of loss carry-forward	25,000	51,000
Stock based compensation	-	16,000
Interest and penalties	5,000	13,000
Effect of foreign exchange	15,000	11,000
Effect of reduction in tax rates	-	(89,000)
Impact of under (over) provision in prior year	187,000	(50,000)
Change in valuation allowance	(523,000)	(198,000)
Net deferred tax assets	$ -	$ -

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, 2015 and June 30, 2014.

As at June 30, 2015, 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 as follows:

	United States	Canada	Total
2026	-	154,000	154,000
2027	-	185,000	185,000
2028	-	157,000	157,000
2029	418,000	159,000	577,000
2030	774,000	131,000	905,000
2031	354,000	94,000	448,000
2032	69,000	264,000	333,000
2033	-	139,000	139,000
2034	-	206,000	206,000
2035		270,000	270,000
Total Net Operating Loss Carry-Forwards	$ 1,615,000	$ 1,759,000	$ 3,374,000

(Stated in US Dollars)

Note 10 Income Taxes – (cont'd)

Uncertain Tax Positions

The Company records liabilities related to uncertain tax positions in accordance with the guidance that clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by prescribing a minimum recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. At June 30, 2015, 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.

The Company files income tax returns in the U.S. federal jurisdiction, various state and foreign jurisdictions. The Company's tax returns are subject to tax examinations by U.S. federal and state tax authorities, or examinations by foreign tax authorities until respective statute 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 2004.

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 11 Segmented information and sales concentration

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

	June 30, 2015	June 30, 2014
Customer #1	73%	72%
Customer #2	27%	28%

The amounts receivable from each of these customers at June 30, 2015 is $175,992 and $187,290 respectively (2014: $230,336 and $0 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.

Note 12 Subsequent Events

In August 2015, the Company granted an additional license for the manufacture and distribution of Pyrotite products.