INTERNATIONAL BARRIER TECHNOLOGY INC.
YEAR END REPORT
for the year ended June 30, 2015

Management Discussion & Analysis

Date of Report – September 28, 2015

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 the development of distribution partnerships and manufacturing technology license agreements is successfully 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 currently manufactures a private label fire rated sheathing product under contract for both LP® Building Products, Inc. (LP) and MuleHide Products, Inc. (MuleHide). LP introduced a fire rated OSB trademarked LP® Flameblock® Fire-Rated OSB Sheathing (LP FlameBlock) in 2010 and MuleHide and parent company, ABC Supply Company, have been selling 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, 2015 was up 4% to $8,471,952 in comparison to $8,154,389 generated in the same fiscal period in 2014. Total sales volume, as measured by surface volume of product shipped, was 21,624,100 sq ft; an all time high for Barrier. This is a 9% increase from the 19,750,800 sq. ft. shipped during the previous year.

Shipments into the Residential Roof Deck, Wall Assembly, and Structural Insulated Panel Market Sectors (LP FlameBlock) during the fiscal year increased 12% over shipments in fiscal 2014. Sales into the Commercial Modular Market (FR Deck Panel) increased 3% in comparison to the previous year.

Barrier and LP conduct business guided by a Supply Agreement that had a term ending on December 31, 2013. The Agreement contains a provision to extend the term annually, upon mutual agreement of both parties. As 2013 came to a close, it was clear that further discussions were warranted to determine how best to strategize future production capacity expansion plans in the US while protecting LP Corporation and Barrier's respective business interests, so month to month extensions were executed. In August 2015, LP and Barrier extended their existing Supply Agreement through December 31, 2019. In addition, in August 2015, Barrier granted a license to LP for the manufacture and distribution of Pyrotite® products in a plant in Clarke County Alabama.

The relationship with LP has contributed to an increase in sales volume to record levels and Barrier anticipates that sales will continue to grow substantially through the sustained efforts of LP's sales and marketing team. Reported sales revenue for LP products, include only the charges for treatment services, not the underlying OSB substrate or outbound freight as LP supplies its own OSB substrate and contracts for its own outgoing freight. The "pass through" of the OSB substrate and freight serves to lower reported "top line" sales revenue, but not gross profits since margins on substrate and freight have historically been restricted to handling costs only to help keep prices competitive. For the Commercial Modular market, Barrier purchases OSB from local distributors and invoices the cost of the substrate and outgoing freight to the customer, therefore the cost of the substrate and freight is included in revenue for Commercial Modular shipments.

Gross profit for the fiscal period was $1,791,376 vs. $1,566,493 in the previous year. The gross margin, as a percentage of sales revenue, increased to 21% in the current fiscal year from 19% in the prior year. In the near term, gross margins are anticipated to remain relatively flat or perhaps to improve slightly based on continued gains in production efficiency. Capacity limitations at the current manufacturing facility in Watkins Minnesota, however, are being approached and further non-marginal improvement in scale efficiency will be delayed until additional production capacity is added.

Cost of sales increased to $6,680,576 in 2015 from $6,587,896 in Fiscal 2014. The increase is attributable to the increase in volume produced. Barrier created significant gains in manufacturing efficiency as measured by the average cost per square foot of production which decreased from $0.33 to $0.31 during the fiscal reporting period.

Substrate cost and materials/labor were the major expenses in this category. Substrate accounted for $1,311,514 for the fiscal year versus $1,529,837 in the same period last year. Materials and labor accounted for an additional $3,956,543 in the twelve month period in 2015 versus $3,670,094 in 2014.

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 $316,862 in 2014 to $337,777. The expense reflects scheduled depreciation of the newer manufacturing line equipment and building expansion.

Administrative expenses for Fiscal 2015 increased to $1,016,820 from $870,930 in the prior year. The administrative costs per sq. ft. were $0.047 for the fiscal year which was a slight overall increase from the $0.044 reported in Fiscal 2014.

Accounting and Audit Fees decreased from $80,220 to $77,693. A significant portion of the cost for accounting services are involved with the year-end and audited review and publishing of Barrier's annual financials.

Insurance costs have increased from $80,456 to $85,438. The difference is due to annually adjusted premiums based on larger sales volume.

Legal fees increased from $74,712 in Fiscal 2014 to $89,763 in Fiscal 2015. Legal fees were expended on activities in support of developing strategic partners and technology licensees, the year-end Annual General Meeting, as well as in monitoring and protecting Pyrotite® patents and trademarks. Additional costs were incurred during the period as Barrier applied for and received a provisional patent from the US Patent Office for the process of treating I-Joists with Pyrotite®

Barrier has two US patents, a patent in Australia, and a patent in Canada. These patents protect the manufacturing and process technology utilized in the production of fire-rated sheathing products utilizing Pyrotite®.

Sales, marketing, and investor relations expenses increased from $23,067 to $43,484 for the year. During the year, there were sales trips directly related to the expansion of product markets.

During the previous reporting period, Barrier was able to recoup any business travel associated with the transfer of technology to the licensee in Europe. During the months when technology was being transferred to that licensee, travel in support of sales and marketing would have been diminished.

Additionally, during this quarter Barrier joined the Modular Builder's Institute (MBI) and had a presence at their annual convention and tradeshow held in Las Vegas. Barrier's efforts with this association will aid us in transitioning to more direct sales distribution in the Commercial Modular business segment.

The majority of sales and marketing activities for traditional uses of Barrier's Pyrotite® treated structural wood panels continue to be performed by Louisiana Pacific, Inc. This helps Barrier keep the cost of sales and marketing as low as reasonably possible.

Wages and management fees increased to $605,511 from $497,169. The increase in wages and management fees reflects performance awards for management and remuneration for the Board of Directors.

Operating Income of $774,556 is being reported for the fiscal period ending June 30, 2015, an 11% increase over the $695,563 that was reported for the same period last year.

The improvement in operating income is a result of increased sales volumes and focus on manufacturing efficiency. It is Barrier's fundamental belief that sustained increased sales volume coupled with an intense focus on manufacturing efficiency is the best pathway to long-term profitability.

Other items include income and costs not directly related to business operations. Other income items reported during the fiscal year herein includes interest/other income of $1,129. To compare, for the same reporting period last year there was a foreign exchange loss of $611 and interest/other income of $350.

Interest on Long Term Debt has decreased from $61,292 to $54,417 for the 12-month reporting period as a result of larger principal payments as long term debt ages.

Net Income. Net income of $701,581 is being reported for the fiscal period ending June 30, 2015, whereas in the same period in 2014, net income of $585,948 was reported.

Barrier remains focused on cutting costs and improving efficiencies wherever it can. This includes operating the manufacturing line with maximum efficiency. Keeping a vigilant handle on costs will help keep operational costs as low as possible and enable financial improvements to continue 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:

	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sept 30 2014	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sept 30 2013
Volume shipped (MSF)	5,485	5,268	4,516	6,355	6,650	4,169	3,371	5,561
Total Revenues (000)	$2,199	$1,965	$1,836	$2,472	$2,778	$1,700	$1,394	$2,282
Operating Income(loss) (000)	$162	$165	$119	$329	$520	$85	($29)	$120
Net income (loss) (000)	$128	$154	$105	$315	$457	$72	($45)	$102
EPS (Loss) Per Share	$0.01	$0.00	$0.00	$0.01	$0.01	$0.00	$0.00	$0.00

Selected Annual Information

	2015	2014
Total Revenue	$8,472.0	$8,154.0
Net income (loss)	$702.0	$586.0
Per share	$0.02	$0.01
Per share, fully diluted	$0.01	$0.01
Total assets	$4,924.9	$4,317.3
Total long-term financial liabilities	$328.9	$687.1
Cash dividends declared per share	Nil	Nil

New product and market development

Barrier continues to provide support to LP for a number of new product and market development initiatives including activity directed specifically toward applications in geographic areas where wildfires are prevalent and where building code development is becoming more restrictive with respect to designing for improved fire resistance. Focus has continued on developing products engineered to meet requirements established for Wildland/Urban Interface (WUI) zones. WUI zones are primarily located in the western US, and are areas where special building codes have been developed to help save homes if a brush fire should occur.

Enhanced focus has been made over this past year on developing products used in multifamily residential projects since the multifamily market is strong and is expected to stay vibrant over the next few years. In particular, Barrier and LP's introduction of a UL certified 2-hr exterior load bearing wall designed for use in wood-frame buildings of Type III construction is being well received by architects, building code professionals and builders alike. As more architects and specifying engineers become aware of this new design Barrier and LP are confident that considerable sales will result for these projects.

Barrier and LP continue exploring opportunities related to emerging code requirements for Engineered Wood Products (EWP) such as I-Joist and Rimboard. I-Joist and Rimboard produced using oriented strand board (OSB) technology are widely used in the building industry but have only recently been put under intense scrutiny for structural performance in a fire. Both Barrier and LP believe there is significant opportunity in developing EWP products that are rated for performance in a fire situation.

After successful preliminary fire testing and initial test marketing, further testing resulted in a UL certified fire-rated I-Joist listing and small scale commercial production has begun. Barrier and

LP's EWP Division will be actively pursuing these exciting opportunities during the next fiscal year. By working together we will endeavor to develop products that will meet code requirements being developed by the International Code Council (ICC), as well as production technology and capacity.

Global licensing opportunities

Barrier continues to explore manufacturing and distribution opportunities for Pyrotite® technology in geographies outside of the US. During the fiscal year ended June 30, 2014, Barrier announced a licensing agreement for the manufacture and distribution of Pyrotite® products in the European Union and Russia. Kronospan, a world-wide leader in OSB manufacturing, has officially added "OSB Pyrotite ECO" (a fire-resistant OSB panel) to their family of products. Barrier provided technical assistance in the design of their first manufacturing line, the transfer of production process technology, and material acquisition criteria. The manufacturing line is now fully operational. The license agreement provides for a payment made quarterly to Barrier by the Licensee of a royalty based on the volume of product produced. A minimum annual royalty fee was established along with an "up-front" license fee which was paid pursuant to the execution of the license agreement earlier in the year. The agreement contemplates the Licensee developing additional production facilities over the term of the license and making additional royalty payments to Barrier based on these plants production. The license agreement follows standard licensing protocol, which allows for the audit of manufacturing process and financial revenue information.

The selection of Pyrotite® technology by the licensor after extensive research and testing of several other fire-resistant technologies adds additional credibility to our Pyrotite® technology and could lead to potential interest in other geographies. Particular interest in Barrier's Pyrotite® technology has been expressed by parties in China, Australia, and South America.

Financial position & financings

Barrier ended the fiscal year with a working capital surplus (current assets less current liabilities) of $1,207,738. Operating cash flow was $603,197 in comparison to $784,836 for the year ended June 30, 2014.

Barrier has a short term revolving line of credit ($500,000) at the local Farmers State Bank of Watkins, in Watkins, Minnesota. As of June 30, 2015 the balance owing on the revolving line of credit was $0 leaving an additional $500,000 available for use. In addition, two convertible debentures in the amount of $150,000 each were established in December 2011. To date, $240,000 has been drawn on these debentures with an additional $60,000 available for cash flow if needed.

Investing activities resulted in net cash outflow of $474,723 in the current period in comparison to a net cash outflow of $134,124 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 $32,948 in the current year compared to a net cash outflow of $121,364 for last year. The cash outflow resulted from the repayments on long-term debt and obligations under capital lease.

There is no 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.

Current and Future Financing Needs

At June 30, 2015, the current cash and cash equivalents totaled $804,452; there was $500,000 in available funds to draw on the revolving credit facility, and an additional $60,000 available from the convertible debentures. Over the next twelve months, the Company anticipates that the operation of business will produce an average monthly operating cash flow of $75,000 for a total of $900,000 for the 2015 fiscal year. In addition, over the next 12 months, the Company is required to make payments totaling $51,396 in respect of its capital lease obligations and $653,931 in respect of accounts payable outstanding as at June 30, 2015. Based on the foregoing, management believes there will be sufficient cash to maintain operations for the next 12 months.

Related Party Transactions

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, 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 convertible debentures mature on January 30, 2017.

Capitalization

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

Issued as of June 30, 2015: 47,807,426 common shares at $15,934,256
Issued as of Sept 18, 2015: 47,807,426 common shares at $15,934,256

Options outstanding:

The following summarizes information about the stock options outstanding at June 30, 2015:

Number	Exercise Price	Expiry Date
1,077,500	$0.097	August 2, 2016
1,077,500		

Other Matters

As at June 30, 2015 the Company did not have any off-balance sheet arrangements to report.