

INTERNATIONAL BARRIER TECHNOLOGY INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

(Stated in US Dollars)

(Unaudited)

INTERNATIONAL BARRIER TECHNOLOGY, INC.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
December 31, 2016 and June 30, 2016
(Stated in US Dollars)
(Unaudited)

	December 31, 2016	June 30, 2016 (audited)
<u>ASSETS</u>		
Current		
Cash and cash equivalents	\$ 1,368,207	\$ 928,940
Accounts receivable	360,143	570,266
Inventory - Note 4	638,315	673,868
Prepaid expenses and deposits	19,802	66,011
Total Current Assets	2,386,467	2,239,085
Property, plant and equipment – Note 5	3,263,379	3,218,832
Total Assets	\$ 5,649,846	\$ 5,457,917
 <u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 709,442	\$ 860,697
Obligation under capital leases	-	13,151
Deferred Revenue	-	50,000
Convertible debentures - Note 6	240,000	240,000
Total Current Liabilities	949,442	1,163,848
Deferred income taxes	8,000	8,000
Obligation under capital leases	-	26,989
Total Liabilities	957,442	1,198,837
 <u>STOCKHOLDERS' EQUITY</u>		
Common Stock - Note 7		
Authorized:		
100,000,000 common shares without par value		
Issued:		
48,884,926 common shares (June 30, 2016: 47,807,426)	16,104,133	15,934,256
Additional paid-in capital	1,443,924	1,509,283
Accumulated deficit	(12,855,653)	(13,184,459)
Total Stockholders' Equity	4,692,404	4,259,080
Total Liabilities and Stockholders' Equity	\$ 5,649,846	\$ 5,457,917

APPROVED BY THE BOARD OF DIRECTORS

"David Corcoran"

David Corcoran

Director

"Victor Yates"

Victor Yates

Director

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY, INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

for the three and six months ended December 31, 2016 and 2015

(Stated in US Dollars)

(Unaudited)

	Three months ended		Six months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Sales - Note 8	\$ 2,717,326	\$ 2,294,765	\$ 5,192,913	\$ 4,428,578
Cost of Sales	2,144,018	1,909,567	4,344,770	3,751,521
Gross Profit	573,308	385,198	848,143	677,057
Expenses				
Accounting and audit fees	9,047	26,105	65,552	53,871
Filing Fees	8,559	4,910	14,311	13,699
Insurance	23,095	20,525	46,862	39,373
Bank charges and interest	20	29	60	69
Legal fees	4,452	27,922	11,550	46,575
Office and miscellaneous	25,715	27,035	46,477	40,711
Sales, marketing, and investor relations	7,273	11,785	12,833	18,842
Telephone	2,595	3,250	5,127	6,368
Transfer agent fees	780	1,028	1,688	1,773
Wages and management fees	148,282	122,011	299,719	333,958
Total Administrative Expenses	229,818	244,600	504,179	555,239
Operating Income	343,490	140,598	343,964	121,818
Other income	456	360	835	685
Interest on long-term obligations	(8,222)	(8,005)	(15,993)	(16,292)
Total Other Expense	(7,766)	(7,645)	(15,158)	(15,607)
Net income for the period	\$ 335,724	\$ 132,953	\$ 328,806	\$ 106,211
Basic and diluted income per share	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.00
Weighted average number of shares outstanding:				
Basic	48,884,926	47,807,426	48,691,679	47,807,426
Diluted	52,972,282	51,995,338	53,547,383	52,201,635

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for the six months ended December 31, 2016 and 2015
(Stated in US Dollars)
(Unaudited)

	Six months ended December 31,	
	2016	2015
Operating Activities		
Net income for the period	\$ 328,806	\$ 106,211
Items not involving cash:		
Depreciation - plant and equipment	138,291	178,871
Changes in non-cash working capital balances related to operations:		
Accounts receivable	210,123	118,562
Inventory	35,553	46,790
Prepaid expenses and deposits	46,209	32,664
Accounts payable and accrued liabilities	(151,255)	63,496
Deferred Revenue	(50,000)	50,000
	557,727	596,594
Net cash provided by operating activities		
Cash Flows provided by (used) in Financing Activities		
Issuance of Common Shares	104,518	-
Decrease in obligations under capital lease	(40,140)	(42,372)
Net cash provided by (used in) financing activities	64,378	(42,372)
Cash Flows used in Investing Activities		
Acquisition of equipment	(182,838)	(326,893)
Net cash used in investing activities	(182,838)	(326,893)
Change in cash and cash equivalents during the period	439,267	227,329
Cash and cash equivalents, beginning of the period	928,940	804,452
Cash and cash equivalents, end of the period	\$ 1,368,207	\$ 1,031,781
Supplemental Cash Flow Information		
Cash paid for interest	\$ 15,993	\$ 16,292
Cash paid for income taxes	\$ -	\$ 1,800

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
for the period ended December 31, 2016
(Stated in US Dollars)
(Unaudited)

	Common Stock				Total
	Issued Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	
Balance, June 30, 2015	47,807,426	\$15,934,256	\$1,509,283	\$(13,501,464)	\$3,942,075
Net income for the period	-	-	-	317,005	317,005
Balance, June 30, 2016	47,807,426	15,934,256	1,509,283	(13,184,459)	4,259,080
Exercise of options (at \$0.097)	1,077,500	104,518	-	-	104,518
Fair value of stock options exercised	-	65,359	(65,359)	-	-
Net income for the period	-	-	-	328,806	328,806
Balance, December 31, 2016	48,884,926	\$16,104,133	\$1,443,924	\$(12,855,653)	\$4,692,404

SEE ACCOMPANYING NOTES

INTERNATIONAL BARRIER TECHNOLOGY INC.
Notes to the Condensed Consolidated Interim Financial Statements
December 31, 2016
(Stated in US Dollars)
(Unaudited)

Note 1 Basis of Presentation

The accompanying unaudited condensed financial statements of International Barrier Technology Inc. (the “Company”) have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of the Securities and Exchange Commission (“SEC”) Regulation S-X. Accordingly, they should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended June 30, 2016 included in the Annual Report on Form 10-K filed with the SEC on September 28, 2016. The unaudited condensed consolidated interim financial statements contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company at December 31, 2016, and the consolidated results of operations and cash flows for the three months ended December 31, 2016. All intercompany accounts and transactions have been eliminated. It should be understood that accounting measures at interim dates inherently involve greater reliance on estimates than at year end. The results of operations for the three and six months ended December 31, 2016 are not necessarily indicative of the results to be expected for the full year or any future interim periods.

Note 2 Significant Accounting Policies

a) Earnings per Share

Basic and diluted earnings per share (“EPS”) is computed using the weighted-average number of common shares outstanding during the period. Basic EPS is calculated by dividing the net income or loss by the weighted-average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted EPS is computed by dividing the net income or loss by the weighted-average number of common shares, plus the dilutive effect of common stock equivalents outstanding for the period.

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 convertible debt or; (ii) excluding all interest (both cash interest and non-cash discount amortization) and including all shares underlying the convertible debt.

b) 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 contract for its own outgoing freight.

INTERNATIONAL BARRIER TECHNOLOGY INC.
Notes to the Condensed Consolidated Interim Financial Statements
December 31, 2016
(Stated in US Dollars)
(Unaudited)

Note 2 Significant Accounting Policies – (cont.)

b) Revenue Recognition – (cont.)

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.

License Fees

Revenue from up-front license fees and milestone payments is recognized as performance occurs and the respective obligations are completed. Prior to the completion of performance obligations, up-front payments are recorded as deferred revenue.

Royalty Revenue

Royalty revenue from sales of our products is generally recognized when received or earned in accordance with the terms of the license fees agreements.

c) 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	straight line over 20 years

Leasehold improvements are depreciated over their estimated useful economic life.

Note 3 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 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.

INTERNATIONAL BARRIER TECHNOLOGY INC.
Notes to the Condensed Consolidated Interim Financial Statements
December 31, 2016
(Stated in US Dollars)
(Unaudited)

Note 3 Fair Value Measurements – (cont.)

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 December 31, 2016, the convertible debentures had a fair value of \$795,120 (June 30, 2016: \$729,323).

As at December 31, 2016, the Company has no assets or liabilities that have fair values measured using Level 3 inputs.

Note 4 Inventory

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Raw materials	\$ 331,891	\$ 396,271
Finished goods	<u>306,424</u>	<u>277,597</u>
	<u>\$ 638,315</u>	<u>\$ 673,868</u>

Note 5 Property, Plant and Equipment

	Cost	December 31, 2016 Accumulated Depreciation	Net
Manufacturing Equipment	\$ 4,282,069	\$ 2,367,359	\$ 1,914,710
Equipment and Furniture	44,110	34,338	9,772
Computer Equipment	30,032	30,032	-
Equipment	206,442	95,455	110,987
Land	54,498	-	54,498
Building	2,576,466	1,432,337	1,144,129
Railroad Spur	94,108	64,825	29,283
Subtotal Equipment and Property	<u>\$ 7,287,725</u>	<u>\$ 4,024,346</u>	<u>\$ 3,263,379</u>

INTERNATIONAL BARRIER TECHNOLOGY INC.
Notes to the Condensed Consolidated Interim Financial Statements
December 31, 2016
(Stated in US Dollars)
(Unaudited)

Note 5 Property, Plant and Equipment – (cont.)

	Cost	June 30, 2016 Accumulated Depreciation	Net
Manufacturing Equipment	\$ 4,193,670	\$ 2,297,732	\$ 1,895,938
Equipment and Furniture	44,110	33,480	10,630
Computer Equipment	30,032	30,032	-
Equipment	93,290	72,252	21,038
Land	54,498	-	54,498
Building	2,521,963	1,371,588	1,150,375
Railroad Spur	94,108	62,941	31,167
Subtotal Equipment and Property	\$ 7,031,671	\$ 3,868,025	\$ 3,163,646
<u>Assets under Capital Lease</u>			
Equipment	\$ 73,216	\$ 18,030	\$ 55,186
Subtotal Assets under Capital Lease	73,216	18,030	\$ 55,186
Total Property, Plant and Equipment	\$ 7,104,887	\$ 3,886,055	\$ 3,218,832

Note 6 Convertible Debt

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 December 31, 2016 the Company had received \$240,000 (2015: \$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 six month period ended December 31, 2016, the Company incurred interest charges of \$14,400 (2015: \$14,400) on these convertible debentures.

Subsequent to December 31, 2016, the convertible debentures were converted to 2,400,000 shares and the corresponding warrants were exercised for 2,400,000 shares.

Note 7 Common Stock

Escrow:

At December 31, 2016, there are 48,922 (June 30, 2016 – 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 December 31, 2016 and June 30, 2016, all of these shares held in escrow are issuable but the Company has yet to request their release.

Commitments:

Stock-based Compensation Plan

At December 31, 2016, the Company has no outstanding options.

INTERNATIONAL BARRIER TECHNOLOGY INC.
Notes to the Condensed Consolidated Interim Financial Statements
December 31, 2016
(Stated in US Dollars)
(Unaudited)

Note 7 Common Stock – (cont.)

A summary of the status of the Company's share purchase option plan for the six months ended December 31, 2016 is presented below:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding and Exercisable, June 30, 2016	<u>1,077,500</u>	<u>\$ 0.097</u>
Exercised	<u>(1,077,500)</u>	<u>\$ 0.097</u>
Outstanding and Exercisable, December 31, 2016	<u>-</u>	<u>\$ -</u>

Note 8 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.

During the three and six months ended December 31, 2016, two customers accounted for 100% of total sales revenue:

	Three months ended		Six months ended	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Customer #1	90%	72%	86%	71%
Customer #2	10%	28%	14%	29%

The accounts receivable from each of these customers at December 31, 2016 were \$240,485 and \$113,322 respectively (2015: \$148,615 and \$112,113, 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.

INTERNATIONAL BARRIER TECHNOLOGY INC.
QUARTERLY REPORT
for the period ended December 31, 2016

Management Discussion & Analysis

Date of Report – February 14, 2017

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 also has a license agreement with a major OSB producer in the European Union. In addition, Barrier is working to develop distribution partnerships and manufacturing technology license agreements and 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'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 reviewed 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 three months ended December 31, 2016 was up 18% to \$2,717,326 in comparison to \$2,294,765 generated in the same comparable period in 2015. Year-to-date sales increased 17% to \$5,192,913 from \$4,428,578. Total sales volume, as measured by surface volume of product shipped increased 33% to 7,572,200 sq. ft., from the 5,712,400 sq. ft. shipped in the previous year quarterly period. Sales for the six months ended December 31, 2016 increased 29% to 14,079,200 sq. ft. vs. 10,874,500 sq. ft. for the six months ended December 31, 2015. The following is a summary of changes in sales for the six months ended December 31, 2016:

	Six months ended			
	December 31,			
	2016		2015	
Treatment services	\$	4,328,583	\$	3,344,946
Substrate		583,554		792,458
Freight and miscellaneous		163,023		274,127
	\$	5,075,160	\$	4,411,531
License fees		100,000		-
Royalties		17,753		17,047
	\$	5,192,913	\$	4,428,578

Shipments into the Residential Roof Deck, Wall Assembly, and Structural Insulated Panel Market Sectors (LP FlameBlock) during the quarter increased 49% over shipments in the comparable quarter last year, while sales into the Commercial Modular Market (FR Deck Panel) declined 28%. The increase in the Residential Roof Deck/Wall Assembly Market is a direct result of sales and marketing efforts nationwide to build demand for the new capacity coming online in Clarke County Alabama. The decrease in Commercial Modular sales is likely contributed to the increase in commodity OSB pricing and lower demand in that market currently.

Barrier also continues to manufacture fire resistant I-Joist as this remains a timely and important topic in North America's building environment at this time. Web stock material treated at Watkins is being used to assist in the development of a committed market demand for Pyrotite® technology. Concurrently, plans and decisions for manufacturing or licensing the production of treated I-Joist in the long-term are being developed and made. Barrier anticipates the negative impact I-Joist R&D has on shipments will diminish as efficiencies in production at Watkins improve with experience.

Barrier and LP® Building Products (LP) conduct business guided by a Supply Agreement. In August 2015, LP and Barrier negotiated some refinements to the agreement and extended it through December 31, 2019. In addition, Barrier granted a license to LP for the manufacture and distribution of Pyrotite® products in a plant in Clarke County Alabama. This license agreement will provide an additional revenue stream for Barrier. LP held a ground breaking ceremony in early January 2016 for the new FlameBlock OSB Sheathing line at their Clarke County Alabama location which began production in December.

Barrier's 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 three month period ended December 31, 2016 was \$573,308 vs. \$385,198 in the previous year quarter and \$848,143 for the fiscal year-to-date period (in comparison to \$677,057 in the prior year). The gross margin, as a percentage of sales revenue, increased to 21% from 17% for the quarterly period and to 16% from 15% for the six month reporting period. During the first three months of the reporting period (July through September), a tornado and excessive heat temporarily affected production. In the near term, gross margins are anticipated to continue to improve slightly based on increased production and continued focus on labor and materials efficiency.

Cost of sales increased in the three and six months ended (to \$2,144,018 from \$1,909,567) and (to \$4,344,770 from \$3,751,521), respectively. The increase is attributable to the increase in volume produced. Manufacturing efficiency as reflected in the three and six month average cost per sq. ft. of production improved to \$0.28 from \$0.33 for the quarter and improved to \$0.31 from \$0.34 for the year-to-date period.

Substrate cost and materials/labor were the major expenses in this category for the six months ended December 31, 2016. Substrate accounted for \$569,538 for the period versus \$804,104 in the same period last year. Materials and labor accounted for an additional \$3,107,970 in the six month period in 2016 versus \$2,197,572 in 2015.

Depreciation on plant and equipment is included in cost of sales category. Depreciation, which has non-cash impact on Barrier's actual cash flow, decreased from \$178,871 to \$138,291 for the six month period. The expense reflects scheduled depreciation of the newer manufacturing line equipment and building improvements.

Administrative expenses for the quarter ended December 31, 2016 decreased from \$244,600 to \$229,818 in the prior year quarterly period and decreased in the six month period from \$555,239 to \$504,179. Administrative costs per square foot decreased quarterly (from \$0.04 to \$0.03) and year-to-date (from \$0.05 to \$0.04). The improvement is a result of increased sales volumes during the reporting periods.

Accounting and Audit Fees decreased to \$9,047 from \$26,105 for the quarterly period and increased to \$65,552 from \$53,871 for the year-to-date period. A significant portion of the cost for accounting services

is related to the year-end audit and quarterly review of Barrier's financial statements. The quarterly cost differential reported here is related to the timing of invoices from the year-end audit and is more even year to year.

Insurance costs have remained fairly consistent for the quarter and for the fiscal year-to-date periods (\$23,095 vs. \$20,525 quarterly and \$46,862 vs. \$39,373 year-to-date). The slight increase is attributed to small premium increases based on increased sales volumes.

Legal fees decreased significantly from \$27,922 for the three months ended December 31, 2015 to \$4,452 in the three months ended December 31, 2016 and from \$46,575 in the six month period ended December 31, 2015 to \$11,550 for the six month period ended December 31, 2016. Legal fees the prior year was expended on activities in support of developing strategic partners and technology licensees. In addition each year for beginning preparations for the year-end Annual General Meeting, as well as in monitoring and protecting Pyrotite® patents and trademarks.

Barrier has four issued patents, two in the US, 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®. In addition, Barrier has a provisional patent from the US Patent Office for the process of treating I-Joists with Pyrotite®.

Sales, marketing, and investor relations expenses decreased from \$11,785 to \$7,273 for the current quarter and decreased from \$18,842 to \$12,833 for the six month reporting period. During the reporting period, there were sales trips directly related to the expansion of product markets and potential manufacturing expansion sites.

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 were \$148,282 in comparison to \$122,011 during the quarter and \$299,719 vs. \$333,958 year-to-date. The increase in the quarterly amount is attributed to the accrual of Board of Director annual fee. The major decrease in the six month fee is attributed to Board of Director remuneration for the execution of the Louisiana-Pacific Corporation Technology License Agreement in the prior year.

Operating Income of \$343,490 is being reported for the quarterly period ending December 31, 2016, whereas in the same period in 2015, operating income of \$140,598 was reported. Operating income of \$343,964 is reported for the year-to-date period vs. income of \$121,818 in the comparable six months in 2015.

It is Barrier's fundamental belief that increased sales volume coupled with an intense focus on manufacturing efficiency in both labor and materials 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 quarterly and six month periods ended December 31, 2016 include interest/other income of \$456 and \$835, respectively. To compare, for the same reporting periods last year there was interest/other income of \$360 (quarter) and \$685 (six months).

Interest on Long Term Debt was \$8,222 vs. \$8,005 for the 3-month reporting period and \$15,993 vs. \$16,292 for the 6-month reporting period, as a result of larger principal payments as long term debt continues to decline.

Net income. Net income of \$335,724 is being reported for the quarter ended December 31, 2016, whereas in the same period in 2015, net income of \$132,953 was reported. For six months ended December 31, 2016, net income was \$328,806 vs. net income of \$106,211 in the prior year.

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

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

	Dec 31, 2016	Sept 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	Jun 30, 2015	Mar 31, 2015
Volume shipped (MSF)	7,572	6,507	6,555	7,229	5,712	5,162	5,485	5,268
Total Revenues (000)	\$2,717	\$2,476	\$2,558	\$2,628	\$2,295	\$2,134	\$2,199	\$1,965
Operating Income(loss) (000)	\$344	\$0	\$111	\$111	\$141	\$(19)	\$162	\$165
Net income (loss) (000)	\$336	\$(7)	\$107	\$104	\$133	\$(27)	\$128	\$154
EPS (Loss) Per Share	\$0.01	\$(0.00)	\$0.00	\$0.00	\$0.00	\$(0.00)	\$0.01	\$0.00

Selected Annual Information

The following financial data is for the three most recent years ended June 30:

	2016	2015	2014
Total Revenue	\$9,614.6	\$8,472.0	\$8,154.4
Net income (loss)	\$317.0	\$701.6	\$585.9
Per share	\$0.01	\$0.02	\$0.01
Per share, fully diluted	\$0.01	\$0.01	\$0.01
Total assets	\$5,457.9	\$4,924.9	\$4,317.3
Total long-term financial liabilities	\$27.0	\$280.1	\$547.9
Cash dividends declared per share	Nil	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. 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 period with a working capital surplus (current assets less current liabilities) of \$1,437,025 vs. \$1,205,540 for the three-month period ended December 31, 2015. Operating cash flow was \$557,727 in comparison to \$596,594 for the six months ended December 31, 2015.

Financing activities resulted in net cash inflow of \$64,378 for the six month period compared to a net cash outflow of \$42,372 for the comparable six month period.

Barrier has a short term revolving line of credit (\$500,000) at the local Farmers State Bank of Watkins, in Watkins, Minnesota. As of December 31, 2016 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 used on these debentures with an additional \$60,000 available for cash flow if needed.

Investing activities resulted in net cash outflow of \$182,838 in the six month period ended December 31, 2016 in comparison to a net cash outflow of \$326,893 in the prior year. The cash outflow was the result of the acquisition of plant and equipment capital improvements.

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 December 31, 2016, the current cash and cash equivalents totaled \$1,368,207; there was \$500,000 in available funds to draw on the revolving credit facility, and an additional \$60,000 available from the convertible debentures.

The Company bases its estimate of future cash requirements on assumptions that may prove to be wrong and the requirements for cash are subject to factors, some of which are not within the control of the Company, including:

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

Related Party Transactions

During the 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 December 31, 2016 the Company had received \$240,000 (2015: \$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 six months ended December 31, 2016, the Company incurred interest charges of \$14,400 (2015: \$14,400) on these convertible debentures. On January 20, 2017, the convertible debentures were converted to units of the Company and corresponding warrants were issued. The warrants were also exercised in full.

Capitalization

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

Issued as of December 31, 2016: 48,884,926 common shares at \$16,104,133

Issued as of February 14, 2017: 53,684,926 common shares at \$16,344,133

Options outstanding:

There are no options outstanding.

Other Matters

As at December 31, 2016 the Company did not have any off-balance sheet arrangements to report.

On January 20, 2017 the convertible debenture agreement was converted to 2,400,000 shares and corresponding warrants of 2,400,000 were issued. The warrants were exercised in full.

EXHIBIT 31.1

**Certification of Chief Executive Officer
Pursuant to Section 302 (a) of the US Sarbanes-Oxley Act of 2002**

I, Michael Huddy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Barrier Technology Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2017

/s/ Michael Huddy
Michael Huddy
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.1

SECTION 1350 CERTIFICATION

In connection with the Interim Report of International Barrier Technology Inc. (the "Company") on Form 10-Q for the six months ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Huddy, Chief Executive Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2017

/s/ Michael Huddy
Michael Huddy
Chief Executive Officer
(Principal Executive Officer)

This certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

EXHIBIT 31.2

**Certification of Chief Financial Officer
Pursuant to Section 302 (a) of the US Sarbanes-Oxley Act of 2002**

I, Melissa McElwee, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of International Barrier Technology Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2017

/s/ Melissa McElwee
Melissa McElwee
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.2

SECTION 1350 CERTIFICATION

In connection with the Interim Report of International Barrier Technology Inc. (the "Company") on Form 10-Q for the six months ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Melissa McElwee, Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2017

/s/ Melissa McElwee
Melissa McElwee
Chief Financial Officer
(Principal Financial Officer)

This certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.