INTERNATIONAL BIO RECOVERY CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended September 30, 2009

(Unaudited – Prepared by Management)

Notice: These interim consolidated financial statements have been prepared by management and they have not been reviewed by the Company's external auditors

INTERNATIONAL BIO RECOVERY CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS
September 30, 2009 and June 30, 2009

	September 30, 2009	June 30, 2009
ASSETS		
Current		
Accounts receivable	**$ 31,040**	$ 31,818
Deposits and prepaid expenses	**18,652**	18,681
	49,692	50,499
Property and equipment (Note 6)	**1,066,379**	1,108,745
Other assets (Note 5)	**72,887**	72,887
	$ 1,188,958	$ 1,232,131
LIABILITIES		
Current		
Bank loans (Note 7)	**$ 54,530**	$ 89,976
Accounts payable and accrued expenses	**811,647**	614,031
Current portion of capital lease obligations	**28,308**	28,308
Customer deposits	**100,000**	100,000
Loans payable (Note 8)	**1,386,360**	1,156,360
	2,380,845	1,988,675
Capital lease obligations	**7,557**	14,284
	2,388,402	2,002,959
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**27,372,410**	27,372,410
Contributed surplus (Note 10)	**1,221,012**	1,196,262
Deficit	**(29,792,866)**	(29,339,500)
	(1,199,444)	(770,828)
	$ 1,188,958	$ 1,232,131

APPROVED ON BEHALF OF THE BOARD:

"Ben Van Dyk"
Director

"Doug Johnston"
Director

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL BIO RECOVERY CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT
For the Three Months ended September 30, 2009 and 2008
(Unaudited – prepared by management)

	2009	2008
REVENUE		
Royalties	$ 2,093	$ -
Equipment and product sales	864	16,059
Other revenues	-	653
	2,957	16,712
EXPENSES		
Plant and operations	186,626	101,530
Administration	129,633	100,930
Amortization	42,366	85,816
Research and development	35,344	41,637
Sales and marketing	33,915	37,762
Interest	26,944	40,775
Interest on capital lease obligations	1,445	2,311
	456,323	410,761
NET INCOME (LOSS)	(453,366)	(394,049)
Deficit, beginning of period	(29,339,500)	(27,464,729)
DEFICIT, end of period	$ (29,792,866)	$ (27,858,778)
BASIC AND DILUTED INCOME (LOSS) PER SHARE	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	48,606,592	50,655,070

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL BIO RECOVERY CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months ended September 30, 2009 and 2008
(Unaudited – prepared by management)

	2009	2008
OPERATIONS		
Net Income (Loss)	$ (453,366)	$ (394,049)
Items not involving cash:		
Amortization	42,366	85,816
Stock-based compensation	24,750	33,848
	(386,250)	(274,385)
Changes in non-cash working capital balances:		
Decrease in prepaid expenses and deposits	29	(10,979)
Increase (decrease) in accounts payable and accrued expenses	197,616	13,492
Increase (decrease) in accounts receivable	778	(5,649)
	(187,827)	(277,521)
INVESTING		
Increase in property and equipment	-	(4,960)
	-	(4,960)
FINANCING		
Increase (decrease) in bank loans	(35,446)	-
Decrease in capital lease obligations	(6,727)	(5,906)
Increase (decrease) in loans payable	230,000	-
	187,827	(5,906)
Increase (decrease) in cash and cash equivalents	-	(288,387)
Cash and cash equivalents, beginning of period	-	411,214
CASH AND CASH EQUIVALENTS, end of period	$ -	$ 122,827

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL BIO RECOVERY CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF EXPENSES
For the Three Months ended September 30, 2009 and 2008
(Unaudited – prepared by management)

	2009	2008
ADMINISTRATION:		
Wages and management fees	$ 30,754	$ 29,575
Legal fees	25,842	6,670
Stock option expense	24,750	33,848
Office expenses	18,572	19,242
Directors fees and expenses	16,240	2,000
Accounting and professional fees	12,000	12,000
Travel & entertainment	809	985
Public company costs	671	1,169
Foreign exchange	(5)	(4,559)
	$ 129,933	**$ 100,930**
PLANT AND OPERATIONS:		
Wages and benefits	$ 61,749	$ 45,410
Waste disposal	49,070	-
Rent & Property Tax	34,833	32,687
Repairs and maintenance	19,220	7,003
Power, water and sewer	17,507	12,541
Supplies & materials	4,247	3,517
Safety and Test	-	372
	$ 186,626	**$ 101,530**
SALES AND MARKETING:		
Wages and benefits, & Management fees	$ 31,250	$ 31,250
Travel	2,665	5,612
Growing trials	-	900
	$ 33,915	**$ 37,762**
RESEARCH AND DEVELOPMENT:		
Wages and benefits	$ 24,643	$ 24,343
Other expenses	8,891	4,199
Contractors	1,810	8,885
Patent costs	-	6,460
Government assistance (note 12)	-	(2,250)
	$ 35,344	**$ 41,637**

1. NATURE OF OPERATIONS

International Bio Recovery Corporation was incorporated in British Columbia, Canada, on August 17, 1993 and is a public company traded on the TSX Venture Exchange.

The Company has developed an environmental technology which processes organic material from municipal solid waste, manures and surplus organics from food production into innovative, environmentally progressive agricultural products.

The Company operates a plant in North Vancouver, British Columbia which is intended to demonstrate commercial-scale plant operations and technology to prospective plant operators and end-product consumers, and to create a fertilizer market. The Company will provide the technology to organic waste generators requiring a waste management solution.

At September 30, 2009, the Company had a working capital deficiency of $2,331,152 (2008 - $1,638,186) and incurred a net loss of $453,366 (2008 - $394,049) for the three months ended September 30, 2009. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon generating revenues sufficient to cover its operating costs, the continued support of its shareholders, and obtaining additional financing. In May 2009, the Company received a Notice of Termination from its landlord for the premises where it operates its North Vancouver plant. The Company is in the process of negotiating with the Landlord and is contesting the Notice of Termination. The outcome of the negotiations is not determinable at this point but may significantly impact the Company's operations if unsuccessful.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the consolidated financial statements.

2. BASIS OF PRESENTATION

These unaudited consolidated financial statements have been prepared in accordance with Canadian GAAP using the same accounting policies and methods as the most recent audited annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended June 30, 2009.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective July 1, 2008, the Company adopted the following standards of the Canadian Institute of Chartered Accountants ("CICA") Handbook:

(a) CICA 3862, "Financial Instruments – Disclosures" and CICA 3863, "Financial Instruments Presentation"

These standards relate to the disclosures and presentation of financial instruments. They apply to interim and annual financial statements for fiscal years beginning on or after October 1, 2007, and must be adopted at the same time, replacing CICA 3861, "Financial Instruments – Disclosure and Presentation". The adoption of these standards did not have a material effect on the Company's financial statements. As a result of the adoption of these standards, additional disclosure on the risks of certain financial instruments is provided in Note 18.

(b) CICA 1535, "Capital Disclosures"

This standard relates to the disclosure of capital management strategies. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The disclosures required by this standard are presented in Note 17.

(c) CICA 3031, "Inventories"

In June 2007, the CICA issued Section 3031, "Inventories" to replace existing Section 3030. The new section, which is effective January 1, 2008, establishes standards for the measurement and disclosure of inventories. The adoption of this standard did not have a material effect on the Company's financial statements.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

(d) CICA 1400, "General Standards of Financial Statement Presentation"

In May 2007, the CICA issued amended Handbook Section 1400, "General Standards of Financial Statement Presentation". The section provides revised guidance related to management's responsibility to assess and disclose the ability of an entity to continue as a going concern. This amended standard applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. The adoption of this standard did not have a material effect on the Company's financial statements.

(e) CICA 3064, "Goodwill and Intangible Assets"

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets," which replaces Section 3062, "Goodwill and Other Intangible Assets." This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets and was effective for the Company beginning July 1, 2009. Concurrent with the adoption of this standard, EIC-27, "Revenues and Expenditures in the Pre-operating Period," were withdrawn. The adoption of this standard did not have a material effect on the Company's financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements that have been announced but are not yet effective are as follows:

(a) CICA 1582, "Business Combinations", CICA 1601, "Consolidated Financial Statements" and CICA 1602, "Non-Controlling Interests"

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests," which replace Section 1600 "Consolidated Financial Statements."

Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The Company is currently assessing the impact of adopting these standards and has not yet determined its effect on its financial statements.

(b) International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board confirmed that public companies will be required to prepare interim and annual financial statements under IFRS for fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of adopting IFRS and has not yet determined its effect on its financial statements.

5. EASEMENT

In 2006, the Company entered into an agreement with a company located in the United States whereby it would be granted an easement over a parcel of land on which a future plant could be built. The agreement requires the Company to make a total payment of $500,000 prior to construction; during the year ended June 30, 2009, the Company made an initial payment of $50,000 to keep the agreement in good standing. The company is not committed or obligated to make further payments unless it intends to build a plant on the property. The payment of $50,000 is recorded in "Other assets."

6. PROPERTY AND EQUIPMENT

			Accumulated	Net Book Value	
		Cost	Amortization	**Sept. 2009**	June 2009
Plant and equipment	$	4,749,307	3,803,062	**946,245**	983,112
Vehicles		356,192	318,764	**37,428**	40,463
Office building		140,706	83,496	**57,210**	57,934
Other equipment		310,682	285,186	**25,496**	27,236
	$	5,556,887	4,490,508	**1,066,379**	1,108,745

Plant and equipment and vehicles includes equipment subject to capital leases having recorded costs of $87,942 (2008: $87,942) and accumulated amortization of $54,061 (2008: $39,540), and other equipment includes equipment subject to a capital lease having a recorded cost of $13,375 (2008: $13,375l) and accumulated amortization of $4,227 (2008: $1,940). Total amortization expense for the three months was $42,366 (2008: $79,893).

Historically, the Company has not achieved its forecasted revenues from the use of its property and equipment. Management assessed the recoverability of these assets and recorded an impairment charge of $664,354 for the year ended June 30, 2009. The impairment charge was deducted from the cost of plant and equipment.

7. BANK LOAN

The Company has a loan agreement with HSBC Bank Canada under a credit facility. The credit facility consists of a $100,000 operating loan which bears interest at the bank's prime rate plus 1.25% per annum and is payable on demand. The loan is secured by a general security agreement providing a first security interest in all of the Company's assets and ranks ahead of all other loans.

8. LOANS PAYABLE

The loans payable are due on demand, and bear interest at 8% per annum. The loans contain a provision that, if they are not repaid in full by December 31, 2009, interest will change to 12% per annum effective as of January 1, 2009. The loans rank pari-passu with each other behind the general security agreement on the bank loan described in note 7, and are secured by an interest in all present and future personal property of the Company and a floating charge on all of the Company's other present and future property. The loans payable include $699,155 (2008: $351,904) due to directors or companies that they control, and $257,205 (2008: $257,205) is due to a company whose directors include certain directors of the Company.

The Company also received $430,000 during the periods to September 30, 2009 from a company controlled by a director. This amount is non-interest bearing and unsecured, and terms of repayment are under dispute.

9. SHARE CAPITAL

The Company has authorized share capital of 250,000,000 common shares without par value and 250,000,000 preferred shares without par value, of which none have been issued.

Issued common shares are as follows:

	3 months to Sept. 30, 2009		Year ended June 30, 2009	
	Number	**Amount**	Number	Amount
Balance, beginning of period	**48,606,592**	**$ 27,372,410**	50,700,592	$ 27,372,410
Escrow shares cancelled	**-**	**-**	(2,094,000)	-
Balance, end of period	**48,606,592**	**$ 27,372,410**	48,606,592	$ 27,372,410

Private Placements. On April 16, 2008, the Company issued 15,000,000 shares for $1,200,000 in connection with a private placement of 15,000,000 units at a price of $0.08 per unit, each unit consisting of one common share and one share purchase warrant. The warrants are exercisable at $0.15 until expiry on April 15, 2010.

10. CONTRIBUTED SURPLUS

	Sept. 2009	June 2009
Balance, beginning of period	**$ 1,196,262**	$ 1,044,473
Fair value of stock options	**24,750**	151,789
Balance, end of period	**$ 1,221,012**	$ 1,196,262

11. STOCK OPTION PLAN AND STOCK-BASED COMPENSATION

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Stock Option Plan (the "Plan") instituted in 1999. Options issued pursuant to the Plan have an exercise price as determined by the Board, subject to the pricing policies of the TSX Venture Exchange. Options have a maximum expiry period of five years from the grant date. The number of options, which may be issued under the plan, is limited to no more than 15% of the Company's issued and outstanding shares on the grant date. The aggregate number of options granted to any one optionee in a twelve month period is limited to 5% of the Company's issued shares at the time the options are granted.

Pursuant to the stock option plan, options granted are subject to vesting restrictions, such that one-quarter of the options vest immediately upon the grant date and in each subsequent six-month period thereafter such that the entire option will have vested eighteen months after the award date.

The following table summarizes the continuity of the Company's stock options outstanding at September 30, 2009 and June 30, 2009:

Outstanding at June 30, 2008	Granted	(Expired/ Cancelled)	Outstanding at June 30, 2009	Granted	(Expired/ Cancelled)	Outstanding at Sept. 30, 2009	Price	Expiry Date
1,880,000	-	(1,880,000)	-	-	-	-	$0.35	July 12, 2008
-	-	-	-	-	-	-	$0.35	July 31, 2008
225,000	-	(225,000)	-	-	-	-	$0.20	Jan. 23, 2009
500,000	-	-	500,000	-	-	500,000	$0.25	Oct. 30, 2009
300,000	-	-	300,000	-	-	300,000	$0.12	Apr. 12, 2010
-	2,475,000	-	2,475,000	-	-	2,475,000	$0.15	July 25, 2013
2,905,000	2,475,000	(2,105,000)	3,275,000	-	-	3,275,000		

A summary of the change in the Company's stock options for the periods ended September 30, 2009 and June 30, 2009 is presented below:

	3 months to Sept. 30, 2009		Year ended June 30, 2009	
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Outstanding, beginning of year	**3,275,000**	**$0.16**	2,905,000	$0.30
Granted	**-**	**-**	2,475,000	0.15
Cancelled or expired	**-**	**-**	(2,105,000)	(0.33)
Outstanding, end of year	**3,275,000**	**$0.16**	3,275,000	$0.16

11. STOCK OPTION PLAN AND STOCK-BASED COMPENSATION (continued)

Additional information regarding options outstanding and exercisable as at September 30, 2009 is as follows:

Options outstanding				Options exercisable	
Exercise Price $	Outstanding #	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price $	Exercisable #	Weighted Average Exercise Price $
0.12	300,000	0.08	0.12	300,000	0.12
0.25	500,000	0.53	0.25	500,000	0.25
0.15	2,475,000	3.82	0.15	1,856,250	0.15
	3,275,000	2.95	0.16	2,656,250	0.16

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

The fair value of stock options granted during the three months ended September 30, 2009 and the year ended June 30, 2009 has been estimated using the Black-Scholes model to be $nil (year ended June 30, 2009 - $151,789) and is being recognized as an expense and included in contributed surplus over the vesting period. For purposes of the calculation, the following weighted average assumptions were used:

	3 months ended Sept. 30, 2009	Year ended June 30, 2009
Risk free interest rate	-	**3.39%**
Expected dividend yield	-	**0%**
Expected stock price volatility	-	**127%**
Expected life of options	-	**5 years**

The grant-date fair value of options granted during the period ended September 30, 2009 was $Nil (2008 - $0.08).

12. RELATED PARTY TRANSACTIONS

The Company had the following transactions with related parties during the three months ended September 30, 2009:

a) Management fees, in lieu of salary and wages, of $31,250 (2008: $31,250) were expensed for services provided by directors; $Nil (2008: $Nil) of these fees are included in accounts payable and accrued expenses.

b) Consulting fees of $12,000 (2008: $12,000) were expensed for services provided by a company controlled by an officer; $Nil (2008: $Nil) of these fees are included in accounts payable and accrued expenses.

c) Accounts payable and accrued expenses include fees payable to directors of $94,400 (2008: $77,200). Fees to directors of $15,600 (2008: $2,000) were expensed during the three months to September 30, 2009.

d) Loans payable include $257,205 (2007: $114,205) due to a company with directors in common. This amount is secured by an interest in all present and future personal property of the Company and a floating charge on all of the Company's other present and future property. Interest of $115,687 (2008: $82,537) has been accrued and is included in accounts payable and accrued expense.

e) Loans payable are due to directors as described in Note 8. Interest of $14,637 (2008: $25,792) was expensed on these loans payable in the three months ending September 30, 2009, no interest (2008: $Nil) was paid to directors during the three months, and interest payable to directors of $36,489 (2008: $129,355) is included in accounts payable and accrued expenses.

12. RELATED PARTY TRANSACTIONS - continued

f) During the periods up to September 30, 2009, the Company received $430,000 from a company controlled by a director. This amount is non-interest bearing and unsecured, and terms of repayment are currently under dispute.

13. GOVERNMENT ASSISTANCE

During 2008, the Company signed a contribution agreement with Natural Sciences and Engineering Research Council of Canada ("NSERC") whereby NSERC would contribute a portion of an undergraduate student's salary. The contribution agreement expired in calendar 2008 and the Company received $4,500 under the agreement; this payment resulted in an aggregate reduction in research and development expenses of $2,250 during the year ended June 30, 2009.

14. CONTINGENCY

The Company has been notified that it is in contravention of municipal by-laws regarding the discharge of sewage from its plant, and the Company is disputing the claim. If the claim is successful, the maximum penalty is $20,000.

15. SEGMENTED INFORMATION

The Company operates in two operating segments, that being the licensing of its proprietary technology for conversion of waste into organic fertilizer products and the sale of fertilizer. Distribution of operating results for the two segments is as follows:

September 30, 2009	Technology Sales	Fertilizer Sales	Corporate	Total
Total assets	$ -	983,674	205,284	1,188,958
Property and equipment	-	983,674	82,705	1,066,379
Revenues	-	864	2,093	2,957
Net loss	(33,915)	(261,007)	(158,444)	(453,366)
Amortization	-	39,901	2,465	42,366
Interest expense	-	-	28,439	28,439

September 30, 2008	Technology Sales	Fertilizer Sales	Corporate	Total
Total assets	$ -	2,188,572	246,907	2,435,479
Property and equipment	-	1,932,717	80,061	2,012,778
Revenues	-	16,059	653	16,712
Net loss	(37,762)	(210,962)	(145,326)	(394,049)
Property and equipment additions	-	4,960	-	4,960
Amortization	-	82,941	2,875	85,816
Interest expense	-	-	43,086	43,086

All of the Company's property and equipment is located in Canada.

16. CAPITAL MANAGEMENT

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements. The Company manages the components of shareholders' equity and its liabilities including shareholder loans and its bank line of credit as capital, and makes adjustments to these components in response to the Company's business objectives and the economic climate. To maintain or adjust its capital structure, the Company may attempt to issue new common shares from treasury, issue debt instruments or borrow money. The Company does not anticipate the payment of dividends in the foreseeable future.

17. FINANCIAL INSTRUMENTS

As at September 30, 2009 the Company's financial instruments consist of cash, accounts receivable, bank loans, accounts payable and accrued liabilities, and loans payable. The fair values of these financial instruments approximate their carrying values because of their short-term nature.

a) **Fair value**

The fair value of financial instruments at September 30, 2009 and 2008 approximate their carrying value. Fair value estimates are made at the balance sheet date, based on relevant quoted market and other information about the financial instruments.

b) **Financial risk management**

The Company's activities potentially expose it to a variety of financial risks, including credit risk, liquidity risk and foreign exchange risk.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. As cash is generally held for short term periods, it is held on deposit with a high credit quality financial institution. Deposits held with this institution may exceed the amount on insurance provided on such deposits.

Liquidity Risk

The Company has operated with negative working capital for several years. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon generating revenues sufficient to cover its operating costs, the continued support of its shareholders, obtaining additional financing, and ultimately, generating profitable operations and positive operating cash flows.

Foreign Exchange Risk

The Company has minimal foreign exchange risk almost all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company is subject to interest on its bank loans, and shareholder loans which are at negotiated rates of interest. Significant increases in these interest rates would result in increased costs for the Company.

18. SUBSEQUENT EVENTS

a) The Company announced a non-brokered private placement of 22,000,000 units at a price of $0.10 per unit for gross proceeds of $2,200,000. Each unit consists of one common share and one warrant exercisable at $0.125 for a period of two years.

b) The Company granted 900,000 stock options exercisable at $0.15 for a term of five years.

c) The Company signed a contribution agreement with National Research Council Canada ("NRC") whereby NRC will contribute a maximum of $78,000 to the Company's enhanced autogenous thermophilic aerobic digestion (EATAD) process-characterization project over a one year period

INTERNATIONAL BIO RECOVERY CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009
(Report Prepared on November 20, 2009)

Description of the Business

International Bio Recovery Corporation (IBR) has developed an environmental technology which processes organic material from municipal solid waste, manures and surplus organics from food production into innovative, environmentally progressive agricultural products.

IBR has a conversion facility in North Vancouver adjacent to its corporate offices where laboratory analysis and greenhouse trials are conducted. The prime functions of the plant are to provide product for research and market development.

The Company is in the process of bringing on stream sufficient operating capacity to produce sufficient product to establish a market demand and market pricing.

The Company is committed to research and development to continue to improve the effectiveness of its technology, the quality of its products, and the creation of new product lines.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Basis of Presentation

The Company's financial statements are presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A should be read in conjunction with the annual audited financial statements for the year ended June 30, 2009 and the interim unaudited financial statements for the three months ended September 30, 2009.

Quarterly Financial Results

	Oct-Dec/07 **Q2 2008**	Jan-Mar/08 **Q3 2008**	Apr-Jun/08 **Q4 2008**	July-Sept/08 **Q1 2009**	Oct–Dec/08 **Q2 2009**	Jan-Mar/09 **Q3 2009**	Apr-Jun/09 **Q4 2009**	July-Sept/09 **Q1 2010**
Revenues								
Technology & license fees	$ -	$ 10,000	$ 500,000	$ -	$ 850,000	$ -	$ -	$ -
Equipment & product sales	459,340	743	9,627	16,059	6,611	3,320	860	864
Royalties	-	-	-	-	-	-	23,466	2,093
Interest & other income	-	-	26,082	653	439	97	48	-
Total Revenues	459,340	10,743	535,709	16,712	857,050	3,417	24,374	2,957
Gains on settlement of liabilities	-	-	87,096	-	-	-	-	-
Impairment of property and equipment	-	-	-	-	-	-	(664,354)	-
Write off deferred research and development	-	-	-	-	-	-	(213,244)	-
Net Income (Loss)	(349,824)	(418,957)	128,896	(394,049)	426,223	(440,002)	(1,466,943)	(453,366)
Net Income (Loss) per share	$ (0.01)	$ (0.01)	$ 0.01	$ (0.01)	$ 0.01	$ (0.01)	$ (0.03)	$ (0.01)
	Dec. 31/07	**Mar. 31/08**	**June 30/08**	**Sept. 30/08**	**Dec. 31/08**	**Mar. 31/09**	**June 30/09**	**Sept. 30/09**
Total Assets	2,615,294	2,490,655	2,788,094	2,435,479	2,902,593	2,149,152	1,232,131	1,188,958
Long term liabilities	44,778	40,060	42,446	36,540	30,452	24,157	14,284	7,557

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Comparison of the three months to Sept. 30, 2009 to the three months to Sept. 30, 2008

The Company generated revenue from scale usage fees of $864 and $2,093 from royalties during the three months ended September 30, 2009. In the same period in the previous year, revenues were generated from waste collection fees of $16,059, and other income of $653.

Total expenses during the three months ended September 30, 2009 were $456,323 compared to $410,761 in the same period last year. Administration costs increased by $28,703 from the previous year primarily due to an increase of $19,172 in legal fees associated with several disputes and a $14,240 increase in directors' fees resulting from a large number of board and special committee meetings. Plant and operations costs increased by $85,096 primarily due to increases of $49,070 to dispose of poor quality input, $16,339 in wages and benefits, and $12,217 in repair and maintenance costs, all associated with an increase in plant operations for manure trials. Research and development costs decreased by $6,293 primarily due to a reduction in patent costs of $6,460. Marketing costs decreased by $3,847 primarily due to a decrease in travel costs.

During the year ended June 30 2009, the Company assessed the carrying value of its property and equipment and deferred research and development; based on an analysis of the carrying values, an impairment charge against property and equipment of $664,354 was recorded and the $213,244 balance of 1999 deferred research and development costs was written off. This change resulted in amortization being reduced by $43,450 in the first quarter of 2010 to $42,366 from $85,816 in the same period last year.

The net loss for the three months ended September 30, 2009 was $453,366, or $0.01 per share, compared to a net loss of $394,049, or $0.01 per share, for the same period last year.

Financial Condition

At September 30, 2009, the Company had total liabilities of $2,388,402, an increase of $385,443 from the year ended June 30, 2009 primarily due to increases of $197,616 in accounts payable and accrued liabilities and $230,000 in loans payable. The working capital position was a deficiency of $2,331,153 compared to a deficiency of $1,938,176 at June 30, 2009.

To date, the Company has not generated sales sufficient to cover its operating expenses and has been dependent on cash on new financing activities in order to meet its obligations. Until the Company generates significant sales, it will be relying on new financing and any difficulty in raising new financing will have a significant impact on the Company's ability to operate.

Share Capital

The Company has 48,606,592 common shares outstanding at November 20, 2009 and 15,000,000 share purchase warrants exercisable at $0.15 to April 15, 2010. There are 3,675,000 stock options outstanding, exercisable at prices ranging from $0.12 to $0.25 and with expiry dates ranging from April 12, 2010 to October 30, 2014.

In October, the Company announced a non-brokered private placement of 22,000,000 units at a price of $0.10. Each unit consists of one common share and one warrant exercisable for two years at a price of $0.125.

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Business Development

The Company intends to develop operating capacity in order to have sufficient product to develop market demand and establish market pricing.

Transactions with Related Parties

During the three months ended September 30, 2009, the Company paid management fees of $31,250 in lieu of salaries to a director who has a management position, and fees of $12,000 for accounting and financial services. In addition, directors receive a fee of $400 for each meeting or committee meeting attended and directors' fees of $15,600 were expensed during the three months; $94,400 of the fees and expenses were due to directors at September 30, 2009.

At September 30, 2009, the Company had loans of $699,155 due to directors and a loan of $257,205 due to Shearator Corporation, a company which includes certain directors of the Company. The loans are secured by a charge on the Company's assets and are payable on demand. In February 2009, the interest rate on all of the directors' loans was changed from 12% per annum to 8% per annum; if the loans are not fully paid off by December 31, 2009, the interest rate will revert to 12% effective as of February 1, 2009.

The Company also received $430,000 during the periods to September 30, 2009 from a company controlled by a director. This amount is non-interest bearing and unsecured, and terms of repayment are under dispute.

Lease Agreement on North Vancouver office and plant

In 1996, the Company entered into a 25 year lease for its North Vancouver demonstration plant. In May 2009, the Company received a Notice of Termination of the lease from the landlord; negotiations to date have not been successful and the matter is scheduled for court in December 2009. The plant is an important part of the Company's business plan and the Company will vigorously defend its position.

Adoption of New Accounting Standards

Effective July 1, 2008, the Company adopted the following standards of the Canadian Institute of Chartered Accountants ("CICA") Handbook:

(a) CICA 3862, "Financial Instruments – Disclosures" and CICA 3863, "Financial Instruments Presentation"

These standards relate to the disclosures and presentation of financial instruments. They apply to interim and annual financial statements for fiscal years beginning on or after October 1, 2007, and must be adopted at the same time, replacing CICA 3861, "Financial Instruments – Disclosure and Presentation". The adoption of these standards did not have a material effect on the Company's financial statements.

(b) CICA 1535, "Capital Disclosures"

This standard relates to the disclosure of capital management strategies. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007.

(c) CICA 3031, "Inventories"

In June 2007, the CICA issued Section 3031, "Inventories" to replace existing Section 3030. The new section, which is effective January 1, 2008, establishes standards for the measurement and disclosure of inventories. The adoption of this standard did not have a material effect on the Company's financial statements.

(d) CICA 1400, "General Standards of Financial Statement Presentation"

In May 2007, the CICA issued amended Handbook Section 1400, "General Standards of Financial Statement Presentation". The section provides revised guidance related to management's responsibility to assess and disclose the ability of an entity to continue as a going concern. This amended standard applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. The adoption of this standard did not have a material effect on the Company's financial statements.

(e) CICA 3064, "Goodwill and Intangible Assets"

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets," which replaces Section 3062, "Goodwill and Other Intangible Assets." This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets and was effective for the Company beginning July 1, 2009. Concurrent with the adoption of this standard, EIC-27, "Revenues and Expenditures in the Pre-operating Period," were withdrawn. The adoption of this standard did not have a material effect on the Company's financial statements.

Recent Accounting Pronouncements

Recent accounting pronouncements that have been announced but are not yet effective are as follows:

(a) CICA 1582, "Business Combinations", CICA 1601, "Consolidated Financial Statements" and CICA 1602, "Non-Controlling Interests"

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests," which replace Section 1600 "Consolidated Financial Statements."

Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The Company is currently assessing the impact of adopting these standards and has not yet determined its effect on its financial statements.

(b) International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board confirmed that public companies will be required to prepare interim and annual financial statements under IFRS for fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of adopting IFRS and has not yet determined its effect on its financial statements.

Disclosure Policies

The Company has disclosure policies in place to ensure that material information is released on a timely basis. The certifying officers of the Company have concluded that the disclosure controls and procedures as of September 30, 2009 are effective.

Internal Controls

Disclosure controls and procedures have been established to provide reasonable assurance that material information relating to the Company is made known to management, particularly during the period in which annual filings are being prepared. Furthermore, internal controls have been established to ensure the Company's assets are safeguarded and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. There have been no changes in the Company's internal controls during the year ended September 30, 2009.

Additional Information

Additional information about International Bio Recovery Corporation can be found on SEDAR at www.sedar.com.