

INTERNATIONAL BIO RECOVERY CORPORATION
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2007

(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
December 31, 2007 and June 30, 2007

	December 31, 2007	June 30, 2007
ASSETS		
Current		
Accounts receivable	\$ 95,735	\$ 507,202
Inventory (Note 3)	5,549	20,324
Deposits and prepaid expenses	5,555	18,567
	106,839	476,649
Property and equipment (Note 4)	2,262,110	2,440,246
Deferred development costs (Note 5)	222,002	242,777
Other assets	24,343	24,343
	\$ 2,615,294	\$ 3,253,296
LIABILITIES		
Current		
Bank loans (Note 6)	\$ 98,375	\$ 90,861
Accounts payable and accrued expenses	1,050,896	1,177,728
Current portion of capital lease obligations	18,599	42,646
Customer deposits	160,000	160,000
Loans payable (Note 7)	818,319	699,720
Promissory notes (Note 8)	445,000	445,000
	2,591,189	2,615,955
Capital lease obligations	44,778	78,461
	2,635,967	2,694,416
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	26,179,160	25,970,021
Contributed surplus (Note 10)	974,835	826,781
Deficit	(27,174,668)	(26,237,922)
	(20,673)	558,880
	\$ 2,615,294	\$ 3,253,296

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 Six Months ended December 31, 2007 and 2006

(Unaudited – prepared by management)

	6 months Fiscal 2008	6 months Fiscal 2007	3 months Fiscal 2008	3 months Fiscal 2007
REVENUE				
Equipment sales	\$ 458,322	\$ -	\$ 458,322	-
Cost of equipment sales	(337,249)	-	(337,249)	-
	121,073	-	121,073	-
Tipping fees and scale usage	2,953	26,062	1,018	\$ 12,659
Plant licenses	-	1,050,000	-	-
	124,026	1,076,062	122,091	12,659
EXPENSES				
Administration	371,256	627,001	118,709	213,221
Plant and operations	289,451	513,956	151,928	273,338
Amortization	208,380	235,282	104,190	117,024
Interest	134,910	73,365	53,465	30,066
Research and development	35,040	130,830	15,944	73,469
Sales and marketing	17,974	175,082	15,465	66,077
Interest on capital lease obligations	3,761	9,469	2,214	5,021
	1,060,772	1,754,985	471,915	778,216
NET INCOME (LOSS)	(936,746)	(678,923)	(349,824)	(765,557)
Deficit, beginning of period	(26,237,922)	(24,691,405)	(26,824,844)	(24,604,771)
DEFICIT, end of period	\$ (27,174,668)	\$ (25,370,328)	\$ (27,174,668)	\$ (25,370,328)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	35,356,389	34,867,259	35,356,389	34,867,259

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

INTERNATIONAL BIO RECOVERY CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months ended December 31, 2007 and 2006

(Unaudited – prepared by management)

	6 months Fiscal 2008	6 months Fiscal 2007	3 months Fiscal 2008	3 months Fiscal 2007
OPERATIONS				
Net loss	\$ (936,746)	\$ (678,923)	\$ (349,824)	\$ (765,557)
Items not involving cash:				
Amortization	208,380	235,282	104,190	117,024
Stock-based compensation	148,054	202,640	28,971	34,727
	(580,312)	(241,001)	(216,663)	(613,806)
Changes in non-cash working capital balances:				
Increase (decrease) in customer deposits	-	(25,000)	(90,974)	-
Decrease in prepaid expenses and deposits	12,849	50,331	13,012	28,039
Increase (decrease) in accounts payable and accrued expenses	(126,832)	6,779	132,421	163,520
Increase (decrease) in accounts receivable	411,467	(6,595)	15,330	(23,737)
Increase (decrease) in inventory	14,775	8,390	14,775	12,439
	(268,053)	(207,096)	(132,099)	433,545)
INVESTING				
Increase in property and equipment	(9,468)	(6,145)	-	(1,804)
Sale of property and equipment	-	8,000	-	8,000
	(9,468)	1,855	-	6,196
FINANCING				
Issue of common shares for cash	209,139	-	-	-
Increase (decrease) in bank loans	7,514	(15,253)	32,675	72,630
Decrease in capital lease obligations	(57,730)	(18,006)	(4,576)	(9,132)
Increase (decrease) in loans payable	118,598	238,500	104,000	228,000
	277,521	205,241	132,099	291,498
Increase (decrease) in cash and cash equivalents	-	-	-	(135,851)
Cash and cash equivalents, beginning of period	-	-	-	135,851
CASH AND CASH EQUIVALENTS, end of period	\$ -	\$ -	\$ -	\$ -

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

INTERNATIONAL BIO RECOVERY CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF EXPENSES

For the Six Months ended December 31, 2007 and 2006
(Unaudited – prepared by management)

	6 months Fiscal 2008	6 months Fiscal 2007	3 months Fiscal 2008	3 months Fiscal 2007
ADMINISTRATION:				
Stock option expense	\$ 148,054	\$ 202,640	\$ 28,971	\$ 34,727
Wages and management fees	94,812	129,540	45,579	68,453
Foreign exchange	19,523	(13,295)	(471)	(250)
Office expenses	40,349	55,581	18,298	20,058
Legal fees	27,317	62,451	6,009	31,084
Directors fees & expenses	15,832	18,639	10,232	9,888
Public company costs	12,322	15,139	8,692	11,653
Accounting & professional fees	10,000	10,500	-	10,500
Travel & entertainment	3,048	10,689	1,399	4,808
Consultants	-	88,963	-	23,300
Financing fees	-	36,154	-	-
	\$ 371,256	\$ 627,001	\$ 118,709	\$ 213,221
PLANT AND OPERATIONS:				
Wages and benefits	\$ 130,460	\$ 242,273	\$ 65,676	\$ 137,060
Rent & Property Tax	84,236	89,719	41,239	45,189
Power, water and sewer	44,233	87,520	25,876	49,312
Other	18,941	8,621	18,033	24,531
Supplies & materials	5,561	37,177	200	17,863
Repairs and maintenance	5,561	38,321	904	19,350
Safety and Test	825	6,325	-	4,215
Consultants	-	4,000	-	-
	\$ 289,451	\$ 513,956	\$ 151,928	\$ 273,338
SALES AND MARKETING:				
Wages and benefits, & Management fees	\$ 62,500	\$ 99,026	\$ 31,250	\$ 49,859
Consultants	48,751	-	18,958	-
Travel	16,723	24,806	9,257	16,218
Commissions	-	51,250	-	-
Recovery of expenses	(110,000)	-	(44,000)	-
	\$ 17,974	\$ 175,082	\$ 15,465	\$ 66,077
RESEARCH AND DEVELOPMENT:				
Wages and benefits	\$ 60,201	\$ 75,824	\$ 27,528	\$ 41,889
Other expenses	2,054	19,004	531	15,456
Contractors	1,732	101,919	1,732	46,852
Patents	-	28,568	-	28,568
Government assistance (note 12)	(28,947)	(81,265)	(13,847)	(46,076)
	\$ 35,040	\$ 130,830	\$ 15,944	\$ 73,469

INTERNATIONAL BIO RECOVERY CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2007

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 certain bio-technology which provides a waste conversion service to customers who dispose of biodegradable waste. The proprietary process converts the waste into organic fertilizer products.

The Company has a plant in North Vancouver, British Columbia which is intended to demonstrate conversion operations to prospective technology and end-product buyers, to conduct research and development, to produce products for growing trials, and to create a fertilizer market. The Company sells technology licenses to other users and may take equity positions in plants.

At December 31, 2007, the Company had a working capital deficiency of \$2,484,350 and incurred a net loss of \$936,746 for the six months ended December 31, 2007. 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.

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, 2007.

3. INVENTORY

	December 31, 2007	June 30, 2007
Fertilizer	\$ -	10,975
Packing materials and spare parts	5,549	9,349
	\$ 5,549	20,324

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value	
			December 31, 2007	June 30, 2007
Plant and equipment	5,413,661	3,304,448	2,109,213	2,280,231
Office building	140,706	78,118	62,588	64,194
Other equipment	290,917	270,799	20,118	13,243
Mobile equipment	356,192	286,001	70,191	82,578
	\$ 6,201,476	3,939,366	2,262,110	2,440,246

Mobile equipment includes equipment subject to a capital lease having a recorded cost of \$87,942 (2007: \$87,942) and accumulated amortization of \$24,404 (2007: \$13,191). Total amortization expense for the six months ended December 31, 2007 was \$208,380 (2007: \$235,282).

INTERNATIONAL BIO RECOVERY CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2007

5. DEFERRED DEVELOPMENT COSTS

The Company began production at its demonstration plant in January 1999 and the development costs incurred to that date were deferred and are being amortized over a 20-year period.

	December 31, 2007	June 30, 2007
Deferred development costs	\$ 595,933	595,933
Less accumulated amortization	(373,931)	(353,156)
Balance, end of period	\$ 222,002	242,777

Amortization expense for the six months ended December 31, 2007 was \$20,775 (2007: \$20,775).

6. BANK LOANS

The Company entered into a loan agreement with HSBC Bank Canada under a credit facility. The credit facility consists of a \$100,000 operating loan that 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.

7. LOANS PAYABLE

The loans payable are due on demand, and bear interest at 12% per annum. The loans rank pari-passu with each other and with the promissory notes described in note 8 but behind the general security agreement on the bank loan described in note 6, 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; \$586,114 of the loans payable are due to directors and \$222,205 is due to a company that includes certain directors of the Company.

8. PROMISSORY NOTES

	December 31, 2007	June 30, 2007
Promissory note due to a director, due on demand or upon receipt of a cumulative amount of \$2,500,000 resulting from technology sales, bearing interest at 15% per annum payable monthly, 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.	\$ 295,000	\$ 295,000
Promissory note, due on demand, bearing interest at 8% per annum payable at maturity, and 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.	150,000	150,000
	\$ 445,000	\$ 445,000

The promissory notes rank pari-passu with each other and with the loans payable described in note 7 but behind the general security agreement on the bank loan described in note 6.

INTERNATIONAL BIO RECOVERY CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2007

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:

	Number	Amount
Balance, as at June 30, 2007	34,867,259	\$ 25,970,021
Shares issued for cash	833,333	209,139
Balance, as at December 31, 2007	35,700,592	\$ 26,179,160

Escrow shares – Share capital includes 2,094,000 common shares held in escrow, subject to release upon the Company achieving cash flow requirements, and only by regulatory approval. Any common shares not issued by September 30, 2008 will be cancelled.

Warrants – The Company has 833,333 share purchase warrants outstanding exercisable at US \$0.24 to August 20, 2009.

10. CONTRIBUTED SURPLUS

Six months ended December 31, 2007 Year ended June 30, 2007

Balance, beginning of period	\$ 826,781	\$ 581,776
Fair value of stock options granted	148,054	245,005
Balance, end of period	\$ 974,835	\$ 826,781

11. STOCK OPTION PLAN

The Company has issued stock options to directors and employees pursuant to its Stock Option Plan instituted in 1999. The following table summarizes stock options activity during the 18 months to December 31, 2007:

<u>Outstanding at June 30, 2006</u>	<u>Granted</u>	<u>(Expired/Cancelled)</u>	<u>Outstanding at June 30, 2007</u>	<u>Granted</u>	<u>(Expired/Cancelled)</u>	<u>Outstanding at Dec. 31, 2007</u>	<u>Price</u>	<u>Expiry Date</u>
200,000	-	(200,000)	-	-	-	-	\$0.25	April 21, 2008
50,000	-	-	50,000	-	(50,000)	-	\$0.50	April 21, 2008
-	2,185,000	(25,000)	2,160,000	-	(235,000)	1,925,000	\$0.35	July 12, 2008
-	400,000	(250,000)	150,000	-	(150,000)	-	\$0.35	July 31, 2008
-	225,000	-	225,000	-	-	225,000	\$0.20	Jan. 23, 2009
-	-	-	-	500,000	-	500,000	\$0.25	Oct. 30, 2009
250,000	2,810,000	(475,000)	2,585,000	500,000	(435,000)	2,650,000		

The following table summarizes stock options outstanding at June 30, 2007 and December 31, 2007:

	<u>Outstanding</u>	<u>Exercisable</u>	<u>Range of Exercise Prices</u>	<u>Weighted average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life</u>
June 2007:	2,585,000	1,442,500	\$0.20 – 0.50	\$0.34	1.08 years
Dec. 2007:	2,650,000	1,681,250	\$0.20 - 0.35	\$0.32	.82 years

INTERNATIONAL BIO RECOVERY CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2007

11. STOCK OPTION PLAN (continued)

Under the Company's stock option plan, the exercise price of each option is determined by the Board, subject to the pricing policies of the TSX Venture Exchange. Options vest over 18 months and expire two years from the date of the grant, unless the Board establishes more restrictive terms.

The aggregate number of shares issuable pursuant to options granted under the plan is limited to 15% of the Company's issued shares at the time the options are granted. The aggregate number of options granted to any one optionee in a 12-month period is limited to 5% of the issued shares of the corporation.

A summary of the change in the Company's stock option plan for the six months ended December 31, 2007 is:

	Number	Weighted Average Exercise Price
Outstanding, beginning of year	2,585,000	\$0.30
Granted	500,000	\$0.25
Exercised	-	-
Cancelled or expired	(435,000)	\$0.29
Outstanding, December 31, 2007	2,245,000	\$0.32

The Company uses the Black-Scholes option valuation 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 six months ended December 31, 2007 has been estimated using the Black-Scholes model to be \$148,054 (2007 - \$202,640) and is being recognized as an expense and included in contributed surplus over the vesting period. For purposes of the calculation, the following assumptions were used:

	<u>Six months ended Dec. 31, 2007</u>	<u>Six months ended Dec. 31, 2006</u>
Risk free interest rate	4.18%	4.25%
Expected dividend yield	0%	0%
Expected stock price volatility	121%	122%
Expected life of options	2 years	2 years

The grant-date fair value of options granted during the six months ended December 31, 2007 was \$0.05 (2007 - \$0.22).

12. RELATED PARTY TRANSACTIONS

The Company had the following transactions with related parties during the six months to December 31, 2007, recorded at their exchange amounts, which are the amounts agreed upon by the transacting parties on terms and conditions similar to non-related entities:

- a) Management fees, in lieu of salary and wages, of \$62,500 (2007: \$102,908) were expensed for executive officers who are also directors; \$Nil (2007: \$Nil) of these fees are included in accounts payable and accrued expenses.
- b) Consulting fees of \$nil (2007: \$24,900) were expensed for services provided by a director; \$nil (2007: \$7,400) of these fees are included in accounts payable and accrued expenses.
- c) Accounts payable and accrued expenses include fees payable to directors of \$62,800 (2007: \$11,600), interest payable to directors of \$141,427 (2007: \$22,651), and salary payable to an officer and director of \$5,077 (2007: \$nil). Directors' fees and expenses of \$15,832 (2007: \$18,639) were expensed during the six months.

INTERNATIONAL BIO RECOVERY CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2007

12. RELATED PARTY TRANSACTIONS (continued)

- d) Loans payable includes \$209,205 (2007: \$nil) due to Shearator Corporation (“Shearator”). Directors of Shearator include certain directors of the Company. Interest and a bonus in lieu of interest of \$49,592 (2007: \$nil) were expensed during the six months ended December 31, 2007.
- e) Loans payable are due to directors and promissory notes are due to directors, as described in Notes 7 and 8. During the six months ending December 31, 2007, the Company expensed \$64,583 (2007: \$39,632) for interest on these loans and promissory notes; no interest (2007: \$24,603) was paid to directors.

13. GOVERNMENT ASSISTANCE

On December 1, 2004, the Company signed a contribution agreement with National Research Council Canada (“NRC”) whereby NRC would contribute a maximum of \$242,500 to the Company’s EATAD process-characterization project over a two-year period. The contribution agreement was subsequently amended by increasing the maximum contribution to \$342,500, terminating on March 31, 2008.

During the six months ending December 31, 2007, the Company received \$31,873 (2007: \$63,072) from NRC, accrued \$8,973 (2007: \$44,465) as government assistance receivable, and recorded an aggregate reduction in research and development expenses of \$28,947 (2007: \$81,265). Under the terms of the contribution agreement, the Company may receive further NRC contributions of up to \$6,754 through March 2008.

14. COMMITMENTS

The Company is committed to a 25-year operating lease for its North Vancouver demonstration plant expiring in 2021. The rental commitment under this lease aggregates \$1,368,864 and the payments over the next five fiscal years are as follows:

To June 2008	48,888
To June 2009	97,776
To June 2010	97,776
To June 2011	97,776
To June 2012	97,776

15. CONTINGENCY

In November, 2006, the Company settled a claim for severance pay and wrongful dismissal filed by its former President and CEO. The settlement amount is \$125,000 payable on a contingency basis upon the Company’s receipt of license fees or equipment sale profits, without interest, in an amount equal to 10% of the payment received or profit generated, until fully paid. Any amount unpaid after 5 years will be extinguished. For the six months ended December 31, 2007, the Company had earned fees and profits that resulted in \$16,122 of the settlement amount becoming due, bringing the total amount due to \$56,122; this amount was accrued and with the consent of the individual, was subsequently converted into a loan as described in note 7. At December 31, 2007, \$68,878 remains contingently payable under the terms of the settlement.

INTERNATIONAL BIO RECOVERY CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended December 31, 2007

16. 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 and corporate overhead is as follows:

December 31, 2007	Technology Sales	Fertilizer Sales	Corporate	Total
Total assets	\$ -	2,493,717	121,577	2,615,294
Property and equipment	-	2,179,404	82,706	2,262,110
Net loss	(17,974)	(425,658)	(493,114)	(936,746)

December 31, 2006	Technology Sales	Fertilizer Sales	Corporate	Total
Total assets	\$ -	3,174,598	193,323	3,367,921
Property and equipment	-	2,570,111	80,696	2,650,807
Net loss	941,570	(866,883)	(724,570)	(649,883)

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2007, the Company

- a) entered into additional Loans Payable with i) a shareholder for an amount of \$15,500, ii) Shearator Corporation for an amount of \$35,000, and iii) employees for amounts totalling \$25,500. The Loans Payable are payable on demand, accrue interest at 12% per annum, 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; and
- b) received a payment on an equipment sale that resulted in \$2,636 of earned profits under the settlement agreement referred to in note 15. With the consent of the individual, this amount has been converted into a loan.

18. COMPARATIVE FIGURES

Certain figures from the previous year have been re-classified to conform to the current year's presentation. Such re-classification is for presentation purposes only and has no effect on previously reported results.

INTERNATIONAL BIO RECOVERY CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2007
Report Prepared on February 29, 2007

Description of the Business

International Bio Recovery Corporation (IBR) has developed an environmental technology which processes organic material from municipal solid waste, agricultural manures and surplus organics from food production into innovative, environmentally progressive fertility 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 and to demonstrate operations to prospective technology and fertilizer buyers. The Company markets its technology products through the sale of licenses. It may also take equity positions in plants sold under license.

The Company's current focus is to actively promote and assist with the construction of new plants in North America, and further develop its marketing capacity to enhance technology sales. 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. It is further committed to developing a worldwide marketing capability to ensure market acceptance of its fertility products.

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, 2007 and the unaudited interim financial statements for the six months ended December 31 2007.

Overall Performance

	Jan-Mar/06 <u>Q3 2006</u>	Apr-Jun/06 <u>Q4 2006</u>	Jul-Sept/06 <u>Q1 2007</u>	Oct-Dec/06 <u>Q2 2007</u>	Jan-Mar/07 <u>Q3 2007</u>	Apr-Jun/07 <u>Q4 2007</u>	Jul-Sept/07 <u>Q1 2008</u>	Oct-Dec/07 <u>Q2 2008</u>
<u>Revenue</u>								
Technology & license fees	\$ -	\$ 21,000	\$1,050,000	\$ -	\$ -	\$ 400,000	\$ -	\$ -
Equipment & product sales	17,474	6,035	13,493	11,557	11,333	335,942	1,935	459,340
Interest & other income	14,882	5,419	-	1,102	1,039	-	-	-
Total Revenues	32,356	32,454	1,063,493	12,569	12,372	735,942	1,935	459,340
Net Income (Loss)	(714,672)	(3,556,657)	86,634	(781,138)	(897,726)	45,713	(586,922)	(349,824)
Net Income (Loss) per share	\$ (0.02)	\$ (0.11)	\$ 0.00	\$ (0.02)	\$ (0.03)	\$ 0.00	\$ (0.02)	\$ (0.01)
	<u>Mar. 31/06</u>	<u>June 30/06</u>	<u>Sept. 30/06</u>	<u>Dec. 31/06</u>	<u>Mar. 31/07</u>	<u>June 30/07</u>	<u>Sept. 30/07</u>	<u>Dec. 31/07</u>
Total Assets	7,010,212	3,540,202	3,614,693	3,338,881	3,179,924	3,253,296	2,762,601	2,615,294
Long term liabilities	-	48,271	112,923	103,791	94,331	78,461	49,354	44,778

**INTERNATIONAL BIO RECOVERY CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2007**

The Company is pursuing revenues from 4 primary sources:

- a) technology transfer agreements, plant license sales, and long term royalties;
- b) contracts to build plants or to supply equipment for plants being built using its technology;
- c) the sale of fertilizer products and tipping fees of solid wastes at its North Vancouver plant; and
- d) equity ownership in operating plants.

Technology transfer agreements and supply contracts for plants or equipment are usually of high value and the timing of the agreements and payments can materially affect the recognition of revenues and financial results of the Company.

Comparison of the six months ended Dec. 31, 2007 to the six months ended Dec. 31, 2006

During the six months ended December 31, 2007, the Company's revenue was from the sale of shearators to Mining Organics Inc. of \$458,322 and scale usage fees of \$2,953. In the same period last year, revenue was generated from scale usage and waste collection fees of \$26,062 and license revenues of \$1,050,000, broken down into payments of \$1,000,000 for the construction and operation of plants in Malaysia, and non-refundable deposits of \$25,000 each for plants planned for Indonesia and Iran

Total expenses for the six months were \$1,060,772 compared to \$1,754,985 in the previous year. The decrease of \$694,213 was a result of significant cost reductions in most areas of the company.

Administration costs decreased by \$255,745 (or 40%) from \$627,001 in the prior year to \$371,256 in the current year, primarily due to a reduction in stock option expense of \$54,586, no costs in the six months this year for consultants (compared to \$88,963 last year), and no cost for financing fees compared to \$36,154 last year. In addition, wages and management fees were reduced by \$34,728 due to reduced staffing and the departure of the Former President and CEO, and legal costs have been reduced by \$35,134.

Plant and operations costs decreased by \$224,505 (or 44%) from \$513,956 in the prior year to \$289,451 in the current six month period. This reduction is a result of the major cutbacks in plant operations in the spring of 2007 and further reductions in December 2007. The plant is now used exclusively to maintain research and development and as a demonstration facility when required. Staffing costs have been reduced by \$111,813, power, water, and sewer usage has been cut in half, supplies and materials have been reduced by two-thirds, and repairs and maintenance have been cut by three-quarters. As the plant is now operating on an irregular basis and with minimal staffing, these costs will continue to be significantly reduced

Amortization during the six months was reduced by \$26,902 to \$208,380 as a result of declining balance calculations on a lower cost base. Interest costs increased by \$61,545 due to a bonus payable in lieu of interest on a loan from Shearator Corporation and interest accruals on larger loans outstanding.

Research and development costs decreased by \$95,790 to \$35,040 in the current year. The Company only did minor agreements with contractors in the current six month period to December 31, 2007, resulting in a savings of \$100,187 compared to the same period last year. This was partially offset by a reduction of \$52,318 in National Research Council's Industrial Research Assistance Program ("RA") grants. Funding has been provided by the National Research Council ("NRC") since 2004 and the agreement with NRC has been extended to March 2008 with a balance of \$6,754 available to be claimed. In addition, the Company spent \$28,568 in the prior year as it filed a provisional application for a U.S patent covering bacteria that have been identified as growth promoters and disease suppressants.

**INTERNATIONAL BIO RECOVERY CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2007**

Marketing efforts have been focused on the sale of plant licenses and field trials to prove the benefits of the Company's products. During the current six month period, the Company paid management fees of \$62,500 and \$48,751 to marketing consultants whose agreements expired at the end of December 2007. Marketing costs were partially offset by contributions of \$110,000 under the provisions of a license sold to Converted Organics Inc. of Boston, Massachusetts.

The net loss for the six months ended December 31, 2007 was \$936,746, or \$0.03 per share, compared to a net loss of \$678,923 or \$0.02 per share, in the comparable period last year.

Comparison of the three months ended Dec. 31, 2007 to the three months ended Dec. 31, 2006

During the six months ended December 31, 2007, the Company's revenue was from the sale of shearators to Mining Organics Inc. of \$458,322 and scale usage fees of \$1,018. In the same period last year, revenue was generated from scale usage and waste collection fees of \$12,659.

Total expenses for the three months were \$471,915 compared to \$778,216 in the previous year. Expenses in all facets of the company's operations have been significantly reduced.

Administration costs decreased by \$94,512 to \$118,709 with reductions in all areas due to fewer staff and their associated costs. Plant and operation expenses decreased by \$121,410 to \$151,928 in the three month ending December 31, 2007 in preparation for temporary shutdowns as the plant will be used exclusively to maintain research and development and as a demonstration facility when required.

Costs for R&D activities decreased by \$57,525 due to the lower use of contractors, patent applications, and reduced staffing. Funding of \$13,847 was provided by the National Research Council during the quarter under an IRAP grant. Sales and marketing costs decreased by \$50,612 to \$15,944 primarily due to a recovery of \$44,000 under a licensing agreement with Converted Organics Inc.

The net loss for the three months ending December 31, 2007 was \$349,824, or \$0.01 per share, compared to a loss of \$765,557, or \$0.02 per share, in the same period last year.

Financial Condition

At December 31, 2007, the Company had total liabilities of \$2,635,967, a decrease of \$58,449 from the year ended June 30, 2007, mainly due to cash received from accounts receivable. The Company's working capital position at December 31, 2007 was a deficiency of \$2,484,350 (June 30, 2007 – \$2,070,025) with long term capital leases of \$44,778.

Since December 2004, the Company has received support from RA for the Company's process and products characterization project; the total support available, after amendments, was \$342,500. As of December 31, 2007, a total of \$6,754 remained to be claimed to offset research contracts and salary costs until the expiry on March 31, 2008. This support has allowed IBR to increase its research and development spending.

The Company is dependent on cash generated by technology sales, contracts to build plants or supply equipment for these plants, revenues from plant ownership, or new financing activities, in order to meet its obligations. The Company has been unable to generate significant revenues on a regular basis, and this has caused the Company to reduce staff and curtail regular operation of its plant. It is highly dependent on new financing and any difficulty in raising new financing will have a significant impact on the Company's ability to continue to operate.

**INTERNATIONAL BIO RECOVERY CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2007**

Share Capital

The Company had 35,700,592 common shares outstanding at December 31, 2007 and 833,333 share purchase warrants, exercisable at US \$0.24 to August 20, 2009. On August 21, 2007, the Company completed a private placement of 833,333 units at a price of US \$0.24 per unit for gross proceeds of US \$200,000. Each unit consists of one common share and one common share warrant entitling the holder to purchase one common share at US \$0.24 for 24 months.

Business Development

The Company is attempting to create demand for its end products through an organized growing trials program. Negotiations for the sale of technology licenses in several markets are in progress and the provisional patent covering the bacteria responsible for the beneficial properties in the end products has been re-filed.

In 2003, the Company signed a license agreement with Mining Organics Management. This agreement was assigned to Converted Organics Inc. ("COI") who arranged their financing early in 2007 to build the initial plant in Woodbridge, New Jersey. The Company sold a macerator to COI in June 2007 for \$335,000 (cost was \$272,977) and sold 17 shearators to COI in November 2007 for \$458,322 (cost was \$354,107). Under the terms of the agreement, COI is required to make total payments of \$352,000 by the end of February 2008 towards marketing costs and \$330,000 of this amount has been paid to date; they will make royalty payments once the plant is fully operating. COI has also placed a deposit of \$150,000 with the Company in respect of a planned second plant.

Transactions with Related Parties

During the six months ended December 31, 2007, the Company paid management fees of \$62,500 in lieu of salaries to a director who was management staff. In addition, directors receive a fee of \$400 for each meeting or committee meeting attended and directors' fees and expenses of \$15,832 were expensed during the six months; \$65,195 of fees and expenses were due to directors at December 31, 2007.

At December 31, 2007, the Company had loans of \$586,114 due to directors and a loan of \$222,205 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, are payable on demand, and earn interest at 12% per annum. During the six months to December 31, 2007, the Company received new loans of \$220,000, converted \$16,122 of severance payments and \$114,205 of accounts payable into new loans, and repaid loans of \$231,728 to directors.

A promissory note of \$295,000 is due to a director, and is repayable on demand or upon receipt of a cumulative amount in excess of \$2,500,000 from technology sales, earns interest at 15% per annum, and is secured by a charge on the Company's assets.

Additional Information

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