

**INTERNATIONAL BIO RECOVERY CORPORATION**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the nine months ended March 31, 2008**

(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**  
March 31, 2008 and June 30, 2007

	March 31, 2008	June 30, 2007
<b>ASSETS</b>		
Current		
Accounts receivable	\$ 80,634	\$ 507,202
Inventory (Note 3)	5,549	20,324
Deposits and prepaid expenses	-	18,404
	86,183	545,930
Property and equipment (Note 4)	2,168,307	2,440,246
Deferred development costs (Note 5)	211,615	242,777
Other assets	24,550	24,343
	\$ 2,490,655	\$ 3,253,296
<b>LIABILITIES</b>		
Current		
Bank loans (Note 6)	\$ 93,798	\$ 90,861
Accounts payable and accrued expenses	963,373	1,177,728
Current portion of capital lease obligations	18,599	42,646
Customer deposits	160,000	160,000
Loans payable (Note 7)	924,155	699,720
Promissory notes (Note 8)	445,000	445,000
	2,604,925	2,615,955
Capital lease obligations	40,060	78,461
	2,644,985	2,694,416
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	26,179,160	25,970,021
Subscriptions received (Note 9 and 17)	200,000	-
Contributed surplus (Note 10)	1,060,135	826,781
Deficit	(27,593,625)	(26,237,922)
	(154,330)	558,880
	\$ 2,490,655	\$ 3,253,296

APPROVED ON BEHALF OF THE BOARD:

“Ben Van Dyk”  
\_\_\_\_\_  
Director

“Henry Bow”  
\_\_\_\_\_  
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 Nine Months ended March 31, 2008 and 2007

(Unaudited – prepared by management)

	9 months Fiscal 2008	9 months Fiscal 2007	3 months Fiscal 2008	3 months Fiscal 2007
<b>REVENUE</b>				
Equipment sales	\$ 458,322	\$ -	\$ -	\$ -
Cost of equipment sales	(337,249)	-	-	-
	<b>121,073</b>	-	-	-
Tipping fees and scale usage	3,696	38,434	743	12,372
Plant licenses	10,000	1,050,000	10,000	-
	<b>134,769</b>	1,088,434	<b>10,743</b>	12,372
<b>EXPENSES</b>				
Administration	510,736	968,708	160,493	351,707
Plant and operations	360,718	769,633	71,837	255,677
Amortization	312,570	353,020	104,190	117,738
Interest	192,017	113,105	57,108	39,740
Research and development	54,302	190,180	19,262	59,350
Sales and marketing	32,724	256,299	14,750	81,217
Interest on capital lease obligations	5,821	14,138	2,060	4,669
	<b>1,468,888</b>	2,665,083	<b>429,700</b>	910,098
<b>NET INCOME (LOSS)</b>	<b>(1,355,703)</b>	(1,576,649)	<b>(418,957)</b>	(897,726)
Deficit, beginning of period	(26,237,922)	(24,691,405)	(27,174,668)	(25,370,328)
<b>DEFICIT, end of period</b>	<b>\$ (27,593,625)</b>	\$ (26,268,054)	<b>\$ (27,593,625)</b>	\$ (26,268,054)
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>\$ (0.04)</b>	\$ (0.05)	<b>\$ (0.01)</b>	\$ (0.03)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>35,585,441</b>	34,867,259	<b>35,700,592</b>	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 Nine Months ended March 31, 2008 and 2007

(Unaudited – prepared by management)

	9 months Fiscal 2008	9 months Fiscal 2007	3 months Fiscal 2008	3 months Fiscal 2007
<b>OPERATIONS</b>				
Net loss	\$ (1,355,703)	\$ (1,576,649)	\$ (418,956)	\$ (714,672)
Items not involving cash:				
Amortization	312,570	353,020	104,190	200,547
Stock-based compensation	233,354	440,017	85,300	-
	<b>(809,779)</b>	<b>(783,612)</b>	<b>(229,466)</b>	<b>(514,125)</b>
Changes in non-cash working capital balances:				
Increase (decrease) in customer deposits	-	(25,000)	-	(11,000)
Decrease in prepaid expenses and deposits	18,404	50,892	5,555	57,074
Increase (decrease) in accounts payable and accrued expenses	(214,354)	40,674	(87,523)	(44,153)
Increase (decrease) in accounts receivable	426,568	50,313	15,101	(54,563)
Increase (decrease) in inventory	14,775	(12,050)	-	1,500
	<b>(564,386)</b>	<b>(694,783)</b>	<b>(296,333)</b>	<b>(565,267)</b>
<b>INVESTING</b>				
Increase in long term assets	(207)		(207)	
Increase in property and equipment	(9,469)	(6,905)	-	(121,080)
	<b>(9,676)</b>	<b>(6,905)</b>	<b>(207)</b>	<b>(121,080)</b>
<b>FINANCING</b>				
Issue of common shares for cash	209,139	-	-	-
Subscriptions received	200,000		200,000	
Increase (decrease) in bank loans	2,937	2,703	(4,577)	17,956
Increase (decrease) in capital lease obligations	(62,449)	(22,515)	(4,719)	(9,459)
Increase (decrease) in loans payable	224,435	705,500	105,836	467,000
	<b>574,062</b>	<b>685,688</b>	<b>296,540</b>	<b>475,497</b>
Increase (decrease) in cash and cash equivalents	-	-	-	-
Cash and cash equivalents, beginning of period	-	-	-	-
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

**INTERNATIONAL BIO RECOVERY CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF EXPENSES**

For the Nine Months ended March 31, 2008 and 2007  
(Unaudited – prepared by management)

	9 months Fiscal 2008	9 months Fiscal 2007	3 months Fiscal 2008	3 months Fiscal 2007
<b>ADMINISTRATION:</b>				
Stock option expense	\$ 233,354	\$ 440,017	\$ 85,300	\$ 237,377
Wages and management fees	137,216	200,931	42,404	52,752
Foreign exchange	(2,786)	(3,376)	(1,295)	-
Office expenses	53,705	74,875	13,356	34,551
Legal fees	32,045	83,197	4,728	20,746
Directors fees & expenses	23,977	23,186	8,145	9,888
Public company costs	19,839	21,380	7,517	6,281
Accounting & professional fees	10,000	10,500	-	-
Travel & entertainment	3,386	10,689	338	-
Consultants	-	88,963	-	-
Financing fees	-	36,154	-	-
	<b>\$ 510,736</b>	<b>\$ 968,078</b>	<b>\$ 160,493</b>	<b>\$ 351,707</b>
<b>PLANT AND OPERATIONS:</b>				
Wages and benefits	\$ 153,940	\$ 368,353	\$ 23,480	\$ 122,080
Rent & Property Tax	121,201	145,302	36,965	55,583
Power, water and sewer	50,995	130,724	6,762	43,204
Other	24,924	2,654	2,757	987
Supplies & materials	2,735	56,745	400	19,568
Repairs and maintenance	6,098	55,372	903	10,726
Safety and Test	825	6,483	-	3,529
Consultants	-	4,000	-	-
	<b>\$ 360,718</b>	<b>\$ 769,633</b>	<b>\$ 71,267</b>	<b>\$ 255,677</b>
<b>SALES AND MARKETING:</b>				
Wages and benefits, & Management fees	\$ 93,750	\$ 139,721	\$ 31,250	\$ 40,695
Consultants	48,751	-	-	-
Travel	16,723	54,455	-	29,649
Growing trials	5,000	10,873	5,000	10,873
Commissions	500	51,250	500	-
Recovery of expenses	(132,000)	-	(22,000)	-
	<b>\$ 32,724</b>	<b>\$ 256,299</b>	<b>\$ 14,750</b>	<b>\$ 81,217</b>
<b>RESEARCH AND DEVELOPMENT:</b>				
Wages and benefits	\$ 82,702	\$ 109,968	\$ 27,528	\$ 34,144
Other expenses	4,599	11,156	531	5,372
Contractors	3,332	114,646	1,732	12,727
Patents	-	35,675	-	7,107
Government assistance (note 12)	(35,701)	(81,265)	(13,847)	-
	<b>\$ 54,302</b>	<b>\$ 190,180</b>	<b>\$ 15,944</b>	<b>\$ 59,350</b>

**INTERNATIONAL BIO RECOVERY CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended March 31, 2008

**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 March 31, 2008, the Company had a working capital deficiency of \$2,514,742 and incurred a net loss of \$1,351,703 for the nine months ended March 31, 2008. 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**

	March 31, 2008	June 30, 2007
Fertilizer	\$ -	10,975
Packing materials and spare parts	5,549	9,349
	<b>\$ 5,549</b>	20,324

**4. PROPERTY AND EQUIPMENT**

	Cost	Accumulated Amortization	Net Book Value	
			March 31, 2008	June 30, 2007
Plant and equipment	5,413,661	3,389,957	<b>2,023,704</b>	2,280,231
Office building	140,706	78,920	<b>61,786</b>	64,194
Other equipment	290,917	272,098	<b>18,819</b>	13,243
Mobile equipment	356,192	292,194	<b>63,998</b>	82,578
	<b>\$ 6,201,476</b>	4,033,169	<b>2,168,307</b>	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 \$30,011 (2007: \$9,894). Total amortization expense on property and equipment for the nine months ended March 31, 2008 was \$281,408 (2007: \$321,858).

**INTERNATIONAL BIO RECOVERY CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the nine months ended March 31, 2008

**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.

	March 31, 2008	June 30, 2007
Deferred development costs	\$ 595,933	595,933
Less accumulated amortization	(384,318)	(353,156)
Balance, end of period	\$ 211,615	242,777

Amortization expense for the nine months ended March 31, 2008 was \$31,162 (2007: \$31,162).

**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; \$633,814 of the loans payable are due to directors and \$257,205 is due to a company that includes certain directors of the Company.

**8. PROMISSORY NOTES**

	March 31, 2008	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
	<b>\$ 445,000</b>	<b>\$ 445,000</b>

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 nine months ended March 31, 2008

**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 March 31, 2008	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.

**Subscriptions received.** On April 2, 2008, the Company announced a private placement (see note 17); payments totalling \$200,000 were received in March for subscriptions under the private placement.

**10. CONTRIBUTED SURPLUS**

	Nine months ended March 31, 2008	Year ended June 30,2007
Balance, beginning of period	\$ 826,781	\$ 581,776
Fair value of stock options granted	233,354	245,005
Balance, end of period	\$ 1,060,135	\$ 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 21 months to March 31, 2008:

<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 Mar. 31, 2008</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	-	(280,000)	1,880,000	\$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	(480,000)	2,605,000		

The following table summarizes stock options outstanding at June 30, 2007 and March 31, 2008:

	<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
Mar. 2008:	2,605,000	2,173,750	\$0.20 - 0.35	\$0.33	.58 years

**INTERNATIONAL BIO RECOVERY CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the nine months ended March 31, 2008

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 nine months ended March 31, 2008 is:

	Number	Weighted Average Exercise Price
Outstanding, beginning of year	2,585,000	\$0.30
Granted	500,000	\$0.25
Exercised	-	-
Cancelled or expired	(480,000)	\$0.30
<b>Outstanding, March 31, 2008</b>	<b>2,605,000</b>	<b>\$0.33</b>

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 nine months ended March 31, 2008 has been estimated using the Black-Scholes model to be \$233,354 (2007 - \$440,017) 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>Nine months ended Mar. 31, 2008</u>	<u>Nine months ended Mar. 31, 2007</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 nine months ended March 31, 2008 was \$0.05 (2007 - \$0.22).

**12. RELATED PARTY TRANSACTIONS**

The Company had the following transactions with related parties during the nine months to March 31, 2008, 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 \$93,750 (2007: \$141,759) were expensed for executive officers who are also directors; \$Nil (2007: \$24,091) 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 \$81,200 (2007: \$41,529), interest payable to directors of \$181,636 (2007: \$49,962), and salary payable to an officer and director of \$5,077 (2007: \$nil). Directors' fees and expenses of \$23,977 (2007: \$23,186) were expensed during the nine months.

**INTERNATIONAL BIO RECOVERY CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended March 31, 2008

12. RELATED PARTY TRANSACTIONS (continued)

- d) Loans payable includes \$257,205 (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 \$58,068 (2007: \$nil) were expensed during the nine months ended March 31, 2008.
- e) Loans payable are due to directors and promissory notes are due to directors, as described in Notes 7 and 8. During the nine months ending March 31, 2008, the Company expensed \$92,593 (2007: \$66,941) 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 nine months ending March 31, 2008, the Company received \$40,846 (2007: \$99,389) from NRC, accrued \$6,754 (2007: \$8,148) as government assistance receivable, and recorded an aggregate reduction in research and development expenses of \$35,701 (2007: \$81,265). Under the terms of the contribution agreement, the terminated on March 31, 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	24,444
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 nine months ended March 31, 2008, the Company had earned fees and profits that resulted in \$18,758 of the settlement amount becoming due, bringing the total amount due to \$58,758; this amount was accrued and with the consent of the individual, was subsequently converted into a loan as described in note 7. At March 31, 2008, \$66,242 remains contingently payable under the terms of the settlement.

**INTERNATIONAL BIO RECOVERY CORPORATION**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended March 31, 2008

**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:

<b>March 31, 2008</b>	<b>Technology Sales</b>	<b>Fertilizer Sales</b>	<b>Corporate</b>	<b>Total</b>
Total assets	\$ -	2,403,296	87,359	2,490,655
Property and equipment	-	2,087,702	80,605	2,168,307
Net loss	(87,951)	(752,663)	(515,089)	(1,355,703)

  

<b>March 31, 2007</b>	<b>Technology Sales</b>	<b>Fertilizer Sales</b>	<b>Corporate</b>	<b>Total</b>
Total assets	\$ -	3,046,101	133,823	3,179,924
Property and equipment	-	2,465,551	78,665	2,544,216
Net loss	806,746	(1,230,596)	(1,152,799)	(1,576,649)

**17. SUBSEQUENT EVENTS**

Subsequent to March 31, 2008, the Company

- a) Completed a non-brokered private placement of shares for proceeds of \$1,200,000. The private placement consisted of 15,000,000 units at a price of \$0.08 per unit; each unit consisted of one common share and one warrant entitling the holder to purchase one common share at \$0.15 for a period of 24 months. Subscriptions totalling \$200,000 were received prior to March 31, 2008;
- b) repaid \$256,242 of Loans Payable;
- c) received a payment on an equipment sale that resulted in \$13,400 of earned profits under the settlement agreement referred to in note 15, and also received license fees of \$500,000 that resulted in \$50,000 earned under the settlement agreement. With the consent of the individual, these amounts have been converted into a loan;
- d) received a non-refundable payment of \$500,000 against a fee of \$1,250,000 for an initial plant to be built under a Master License Agreement covering up to seven plants in Ireland, Northern Ireland, and the United Kingdom.

**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 NINE MONTHS ENDED MARCH 31, 2008**  
**Report Prepared on May 21, 2008**

**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 nine months ended March 31, 2008.

**Overall Performance**

	Apr-Jun/06 <b><u>Q4 2006</u></b>	Jul-Sept/06 <b><u>Q1 2007</u></b>	Oct-Dec/06 <b><u>Q2 2007</u></b>	Jan-Mar/07 <b><u>Q3 2007</u></b>	Apr-Jun/07 <b><u>Q4 2007</u></b>	Jul-Sept/07 <b><u>Q1 2008</u></b>	Oct-Dec/07 <b><u>Q2 2008</u></b>	Jan-Mar/08 <b><u>Q3 2008</u></b>
<b><u>Revenue</u></b>								
Technology & license fees	\$ 21,000	\$1,050,000	\$ -	\$ -	\$ 400,000	\$ -	\$ -	\$ 10,000
Equipment & product sales	6,035	13,493	11,557	11,333	335,942	1,935	459,340	743
Interest & other income	5,419	-	1,102	1,039	-	-	-	-
Total Revenues	32,454	1,063,493	12,569	12,372	735,942	1,935	459,340	10,743
Net Income (Loss)	(3,556,657)	86,634	(781,138)	(897,726)	45,713	(586,922)	(349,824)	(418,957)
Net Income (Loss) per share	\$ (0.11)	\$ 0.00	\$ (0.02)	\$ (0.03)	\$ 0.00	\$ (0.02)	\$ (0.01)	\$ (0.01)
	<b><u>June 30/06</u></b>	<b><u>Sept. 30/06</u></b>	<b><u>Dec. 31/06</u></b>	<b><u>Mar. 31/07</u></b>	<b><u>June 30/07</u></b>	<b><u>Sept. 30/07</u></b>	<b><u>Dec. 31/07</u></b>	<b><u>Mar. 31/08</u></b>
Total Assets	3,540,202	3,614,693	3,338,881	3,179,924	3,253,296	2,762,601	2,615,294	2,490,655
Long term liabilities	48,271	112,923	103,791	94,331	78,461	49,354	44,778	40,060

**INTERNATIONAL BIO RECOVERY CORPORATION  
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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 nine months ended Mar. 31, 2008 to the nine months ended Mar. 31, 2007**

During the nine months ended March 31, 2008, the Company's revenue was from the sale of shearators to Mining Organics Inc. of \$458,322 license fees of \$10,000, and scale usage fees of \$3,696. In the same period last year, revenue was generated from scale usage and waste collection fees of \$38,434 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 nine months were \$1,468,888 compared to \$2,665,083 in the previous year. The decrease of \$1,196,195 was a result of significant cost reductions and reduced operations in all areas of the company.

Administration costs declined by \$457,972 (or 47%) from \$968,708 in the prior year to \$510,736 in the current year. The main reasons for the reduction were a) a reduction in stock option expense of \$206,663, no costs in the nine 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 \$63,715 due to reduced staffing and the departure of the former President and CEO in October 2006, and legal costs have been reduced by \$51,152.

Plant and operations costs decreased by \$408,915 (or 53%) from \$769,633 in the prior year to \$360,718 in the current nine 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, with no permanent plant staff. Staffing costs have been reduced by \$214,413, power, water, and sewer usage has been two-thirds, supplies and materials have been reduced by \$54,010, and repairs and maintenance have been cut by 90%. 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 nine months was reduced by \$40,450 to \$312,570 as a result of declining balance calculations on a lower cost base. Interest costs increased by \$78,912 due to a bonus payable in lieu of interest on a loan from Shearator Corporation and interest accruals on larger loan balances outstanding.

Research and development costs decreased by \$135,878 to \$54,302 in the current year. The Company only did minor agreements with contractors in the current nine month period to March 31, 2008, resulting in a savings of \$111,314 compared to the same period last year. This was partially offset by a reduction of \$45,564 in National Research Council's Industrial Research Assistance Program ("IRAP") grants. Funding has been provided by the National Research Council ("NRC") since 2004 and the current agreement with NRC expired at the end of March 2008. In addition, the Company spent \$35,675 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.

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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 nine month period, the Company paid management fees of \$93,750 and \$48,751 to marketing consultants whose agreements expired at the end of December 2007. Marketing costs were partially offset by contributions of \$132,000 under the provisions of a license sold to Converted Organics Inc. of Boston, Massachusetts.

The net loss for the nine months ended March 31, 2008 was \$1,355,703, or \$0.04 per share, compared to a net loss of \$1,576,649 or \$0.05 per share, in the comparable period last year.

**Comparison of the three months ended Mar. 31, 2008 to the three months ended Mar. 31, 2007**

During the three months ended March 31, 2008, the Company's revenues were from a license fee of \$10,000 from Indonesia and scale usage fees of \$743. In the same period last year, revenue was generated from scale usage and waste collection fees of \$12,372.

Total expenses for the three months were \$429,700 compared to \$910,098 in the previous year. Expenses in all facets of the company's operations have been significantly reduced.

Administration costs decreased by \$191,214 to \$160,493 due to a decrease in stock option expense of \$152,077 and reductions in all other areas due to fewer staff and their associated costs. Plant and operation expenses decreased by \$184,410 to \$71,267 in the three month ending March 31, 2008 due to 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 \$43,406 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 \$66,467 to \$14,750 primarily due to a recovery of \$22,000 under a licensing agreement with Converted Organics Inc.

The net loss for the three months ending March 31, 2008 was \$418,957, or \$0.01 per share, compared to a loss of \$897,726, or \$0.03 per share, in the same period last year.

**Financial Condition**

At March 31, 2008, the Company had total liabilities of \$2,644,985, a decrease of \$49,431 from the year ended June 30, 2007, mainly due to cash received from accounts receivable. The Company's working capital position at March 31, 2008 was a deficiency of \$2,518,112 (June 30, 2007 – \$2,070,025) with long term capital leases of \$40,060.

Since December 2004, the Company has received support from IRAP for the Company's process and products characterization project; the total support available, after amendments, was \$342,500. The agreement expired on March 31, 2008 and allowed IBR to increase its research and development spending. The Company is current in discussions with IRAP for a new agreement.

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.

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**Share Capital**

The Company had 35,700,592 common shares outstanding at March 31, 2008 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.

In April 2008, the Company completed a private placement of 15,000,000 units at price of \$0.08 per unit for gross proceeds of \$1,200,000. Each unit consists of one common share and one common share warrant entitling the holder to purchase one common share at \$0.15 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 made total payments of \$352,000 towards marketing costs and the last payment of \$22,000 was received during the three months ended March 31, 2008; the agreement also requires COI to 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.

In April 2008, the Company announced the sale of a Master License Agreement to Recondo Holding Ltd. ("Recondo") covering up to seven plants in Ireland, Northern Ireland, and the United Kingdom. Recondo has made a non-refundable payment of \$500,000 against the initial Plant License Fee of \$1,250,000 with the balance expected within 120 days following the granting of an environmental permit. In addition to the license fees and equipment sales profits that the Company will receive, Recondo has granted the Company a 12.5% carried interest in the roll-out of Recondo's European plants.

**Transactions with Related Parties**

During the nine months ended March 31, 2008, the Company paid management fees of \$93,750 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 \$23,977 were expensed during the nine months; \$81,200 of the fees and expenses were due to directors at March 31, 2008.

At March 31, 2008, the Company had loans of \$633,814 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, are payable on demand, and earn interest at 12% per annum. During the nine months to March 31, 2008, the Company received new loans of \$280,500, converted \$18,758 of severance payments and \$114,205 of accounts payable into new loans, and repaid loans of \$231,728 to directors. In April 2008, the Company repaid \$256,242 of the outstanding loans.

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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](http://www.sedar.com).