

INTERNATIONAL BIO RECOVERY CORPORATION
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended March 31, 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
March 31, 2009 and June 30, 2008

	March 31, 2009	June 30, 2008
ASSETS		
Current		
Cash	\$ 32,411	\$ 411,214
Accounts receivable	16,959	18,797
Inventory (Note 4)	1,820	5,549
Deposits and prepaid expenses	2,916	4,999
	54,106	440,559
Property and equipment (Note 5)	1,852,992	2,087,710
Deferred development costs (Note 6)	219,167	236,938
Other assets	22,887	22,887
	\$ 2,149,152	\$ 2,788,094
LIABILITIES		
Current		
Accounts payable and accrued expenses	\$ 482,241	\$ 764,663
Current portion of capital lease obligations	24,722	24,722
Customer deposits	100,000	100,000
Loans payable (Note 8)	904,109	609,109
Promissory notes (Note 9)	-	295,000
	1,511,072	1,793,494
Capital lease obligations	24,157	42,446
	1,535,229	1,835,940
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	27,372,410	27,372,410
Contributed surplus (Note 11)	1,114,070	1,044,473
Deficit	(27,872,557)	(27,464,729)
	613,923	952,154
	\$ 2,149,152	\$ 2,788,094

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 Nine Months ended March 31, 2009 and 2008

(Unaudited – prepared by management)

	Nine months 2009	Nine months 2008	Three months 2009	Three months 2008
REVENUE				
Plant licenses	\$ 850,000	\$ 10,000	\$ -	\$ 10,000
Equipment and fertilizer sales	3,900	458,322	-	-
Waste collection fees	22,090	3,696	3,320	743
Other income	1,189	-	97	-
	877,179	472,018	3,417	10,743
EXPENSES				
Plant and operations	347,401	360,718	131,976	71,837
Administration	332,879	510,736	123,611	160,493
Amortization	257,449	312,570	85,816	104,190
Interest	108,317	192,017	26,232	57,108
Research and development	111,862	54,302	33,584	19,262
Sales and marketing	117,021	32,724	42,682	14,750
Interest on capital lease obligations	6,333	5,821	1,902	2,060
Cost of equipment and fertilizer sales	3,745	358,833	16	-
	1,285,007	1,827,721	445,819	429,700
NET INCOME (LOSS)	(407,828)	(1,355,703)	(442,402)	(418,957)
Deficit, beginning of period	(27,464,729)	(26,237,922)	(27,430,155)	(27,174,668)
DEFICIT, end of period	\$(27,872,557)	\$(27,593,625)	\$(27,872,557)	\$(27,593,625)
BASIC AND DILUTED INCOME (LOSS) PER SHARE	\$ (0.01)	\$ (0.04)	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	49,294,402	35,585,441	48,606,592	35,700,592

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, 2009 and 2008

(Unaudited – prepared by management)

	Nine months 2009	Nine months 2008	Three months 2009	Three months 2008
OPERATIONS				
Net Income (Loss)	\$ (407,828)	\$ (1,355,703)	\$ (442,402)	\$ (418,956)
Items not involving cash:				
Amortization	257,449	312,570	85,816	104,190
Stock-based compensation	69,597	233,354	32,088	85,300
	(80,782)	(809,779)	(324,498)	(229,466)
Changes in non-cash working capital balances:				
Increase (decrease) in customer deposits	-	-	-	-
Decrease in prepaid expenses and deposits	2,083	18,404	160	5,555
Increase (decrease) in accounts payable and accrued expenses	(282,421)	(214,354)	(336,832)	(87,523)
Increase (decrease) in accounts receivable	1,838	426,568	1,602	15,101
Increase (decrease) in inventory	3,729	14,775	-	-
	(355,554)	(564,386)	(659,568)	(296,333)
INVESTING				
Increase in long term assets		(207)		(207)
Increase in property and equipment	(4,960)	(9,469)	-	-
	(4,960)	(9,676)	-	(207)
FINANCING				
Issue of common shares for cash	-	209,139	-	-
Subscriptions received	-	200,000	-	200,000
Increase (decrease) in bank loans	-	2,937	-	(4,577)
Decrease in capital lease obligations	(18,289)	(62,449)	(6,295)	(4,719)
Increase (decrease) in promissory notes	(295,000)	-	(295,000)	-
Increase (decrease) in loans payable	295,000	224,435	295,000	105,836
	(18,289)	574,062	(6,295)	296,540
Increase (decrease) in cash and cash equivalents	(378,803)	-	(665,863)	-
Cash and cash equivalents, beginning of period	411,214	-	698,274	-
CASH AND CASH EQUIVALENTS, end of period	\$ 32,411	\$ -	\$ 32,411	\$ -

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, 2009 and 2008
(Unaudited – prepared by management)

	Nine months 2009	Nine months 2008	Three months 2009	Three months 2008
ADMINISTRATION:				
Wages and consultants	\$ 110,472	\$ 137,216	\$ 32,426	\$ 42,404
Stock option expense	69,596	233,354	32,088	85,300
Office expenses	51,845	53,705	15,722	13,356
Accounting & professional fees	44,686	10,000	16,618	-
Legal fees	25,988	32,045	12,224	4,728
Public company costs	19,234	19,839	7,843	7,517
Directors fees & expenses	7,143	23,977	5,431	8,145
Travel & entertainment	3,736	3,386	1,259	338
Foreign exchange	179	(2,786)	-	(1,295)
	\$ 332,879	\$ 510,736	\$ 123,611	\$ 160,493
PLANT AND OPERATIONS:				
Wages	\$ 152,340	\$ 153,940	\$ 53,268	\$ 23,480
Rent & Property Tax	97,818	121,201	32,444	36,965
Power, water and sewer	61,178	50,995	26,497	6,762
Repairs and maintenance	16,880	6,098	8,230	903
Supplies & materials	11,288	2,735	6,523	400
Other	6,716	24,924	4,205	2,757
Safety and Test	1,181	825	809	-
	\$ 347,401	\$ 360,718	\$ 131,976	\$ 71,267
SALES AND MARKETING:				
Management fees	\$ 93,750	\$ 93,750	\$ 31,250	\$ 31,250
Travel	22,371	16,723	11,432	-
Growing trials	900	5,000	-	5,000
Consultants	-	48,751	-	-
Commissions	-	500	-	500
Recovery of expenses	-	(132,000)	-	(22,000)
	\$ 117,021	\$ 32,724	\$ 42,682	\$ 14,750
RESEARCH AND DEVELOPMENT:				
Wages and benefits	\$ 74,574	\$ 82,702	\$ 24,432	\$ 27,528
Contractors	20,538	3,332	6,205	1,732
Other expenses	10,078	4,599	1,514	531
Patents	8,922	-	1,433	-
Government assistance (note 12)	(2,250)	(35,701)	-	(13,847)
	\$ 111,862	\$ 54,302	\$ 33,584	\$ 15,944

INTERNATIONAL BIO RECOVERY CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Nine months ended March 31, 2009

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 agricultural products.

The Company operates 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 an end product market. The Company sells technology licenses to other users and may take equity positions in plants.

At March 31, 2009, the Company had a working capital deficiency of \$1,456,966 (2008 - \$2,514,742) and realized a net loss of \$407,828 (2008 - \$1,351,703) for the nine months ended March 31, 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.

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, 2008.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective July 1, 2007, the Company adopted new Canadian Institute of Chartered Accountants ("CICA") Handbook section 1506, "Accounting Changes", permitting accounting policy changes only in the event that a change is made within a primary source of generally accepted accounting principles ("GAAP"), or where a change is warranted to provide more relevant and reliable information. All accounting policy changes are to be applied retroactively, unless impracticable. Any prior period errors identified also require retroactive application. The revised standards did not have any material impact on the Company's financial statements.

Effective July 1, 2007, the Company adopted new CICA Handbook Sections 3855 "Financial Instruments - Recognition and Measurement", CICA 3861 "Financial Instruments - Disclosure and Presentation", CICA 3865 "Hedges", CICA 1530 "Comprehensive Income", CICA 3051 "Investments" and CICA 3251 "Equity". The new Handbook Sections establish standards governing the recognition, measurement, disclosure and presentation of financial instruments, when and how hedge accounting may be applied, the reporting and presentation of comprehensive income, accounting for investments subject to significant influence and for measuring and disclosing certain other non-financial instrument investments. The Company does not have any hedging relationships or investments that fall under these standards. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

INTERNATIONAL BIO RECOVERY CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine months ended March 31, 2009

2. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

In accordance with CICA 1530, "Comprehensive Income", and CICA 3251, "Equity", these sections provide standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income includes net income plus changes in unrealized gains or losses from changes in the fair market value of available-for sale investments, changes in the fair value of derivatives designated as cash flow hedges and currency translation adjustments on self-sustaining foreign operations. The Company does not have any derivative instruments or self-sustaining foreign operations and currently does not have available-for sale investments.

Under CICA 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for sale financial assets or other financial liabilities.

All financial instruments, including derivatives, are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant Handbook Section 3840, "Related Party Transactions". Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is impaired or sold at which time the amounts will be recorded in net income; financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for trading are measured at amortized cost, using the effective interest method of amortization. This new section also requires that transaction costs incurred in connection with the issuance of financial instruments either be capitalized and presented as a reduction of the carrying value of the related financial instrument or expensed as incurred. If capitalized, transaction costs must be amortized to income using the effective interest method. This Section does not permit the restatement of financial statements of prior periods.

The Company classified its financial instruments as follows:

Cash	held-for trading
Accounts receivable	loans and receivables
Bank loan	other financial liabilities
Accounts payable	other financial liabilities
Customer deposits	other financial liabilities
Loans payable	other financial liabilities
Promissory notes payable	other financial liabilities
Capital lease obligations	other financial liabilities

In addition, the Company has elected to account for transaction costs related to the acquisition or issuance of financial instruments as a reduction of the carrying value of the related financial instruments except for those classified as available for sale which are expensed as incurred. The Company did not have any available for sale instruments, held-to-maturity instruments and outstanding contracts with embedded derivatives at July 1, 2007.

As at March 31, 2009, the Company's financial instruments consist of cash, accounts receivable, accounts payable, customer deposits, loans payable, promissory notes, and capital lease obligations. The fair values of current assets and current liabilities approximate their carrying values due to the short-term maturity of the instruments. The fair value of the capital lease approximates its book value due to market prices for similar capital leases. The Company is not exposed to significant interest rate, currency exchange rate or credit risk arising from these financial instruments. The Company is not party to any derivative instruments.

There were no opening adjustments recorded on the adoptions of these standards.

INTERNATIONAL BIO RECOVERY CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Nine months ended March 31, 2009

3. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and is effective for interim and annual periods relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

In May 2007, the Accounting Standards Board issued CICA Handbook Section 3031, "Inventories". Section 3031 introduces changes to the measurement and disclosure of inventory and converges with international financial reporting standards and is effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

In December 2006, the Accounting Standards Board issued CICA Handbook Section 3862, "Financial Instruments - Disclosure" and Section 3863, "Financial Instruments - Presentation" which replace Section 3861, "Financial Instruments - Disclosure and Presentation". Section 3862 increases the emphasis on recognition and management of the risks associated with recognized and unrecognized financial instruments. This section carries forward the former presentation requirements and is effective for fiscal years beginning on or after October 1, 2007. The Company is currently assessing the impact of the new disclosure standard and has not yet determined its impact on the Company's financial statements.

In October 2006, the Accounting Standards Board issued CICA Handbook Section 1535, "Capital Disclosures", which establishes standards for disclosing information about an entity's capital and how it is managed. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

4. INVENTORY

	March 2009	June 2008
Packing materials and spare parts	\$ 1,820	\$ 5,549
	\$ 1,820	\$ 5,549

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value	
			March 2009	June 2008
Plant and equipment	\$ 5,413,661	3,3620,830	1,792,831	1,938,195
Vehicles	356,192	307,058	49,134	57,805
Office building	140,706	81,247	59,459	60,983
Other equipment	310,682	279,222	31,460	30,727
	\$ 6,221,241	4,288,357	1,932,884	2,087,710

Plant and equipment and vehicles includes equipment subject to capital leases having recorded costs of \$87,942 (2008: \$87,942) and accumulated amortization of \$47,389 (2008: \$30,011), and other equipment includes equipment subject to a capital lease having a recorded cost of \$13,375 (2008: \$Nil) and accumulated amortization of \$3,143 (2008: \$Nil). Total amortization expense for the nine months was \$257,449 (2008: \$281,408).

INTERNATIONAL BIO RECOVERY CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Nine months ended March 31, 2009

6. DEFERRED DEVELOPMENT COSTS

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

	March 2009	June 2008
Balance, beginning of year	\$ 595,933	\$ 595,933
Less accumulated amortization	(376,766)	(358,995)
Balance, end of year	\$ 219,167	\$ 236,938

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. No amounts were drawn under this facility at March 31, 2009.

8. LOANS PAYABLE

The loans payable are due on demand; on February 1, 2009, the promissory note in note 9 was converted to a loan and all of the loans were amended to change the interest rate from 12% to 8% per annum. In the event that the Company is unable to repay the loans in full by December 31, 2009, any outstanding amounts at December 31, 2009 will accrue interest at 12% from February 1, 2009. The loans rank pari-passu with each other and with the promissory note 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 \$646,904 (2008: \$633,814) due to directors, and \$257,205 (2008: \$257,205) is due to a company whose directors include certain directors of the Company.

9. PROMISSORY NOTE

	March 2009	June 2008
The promissory note is due to a director, due on demand or upon receipt by the Company of a cumulative amount of \$2,500,000 resulting from technology sales, bears 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. On February 1, 2009 the promissory note was converted to a loan payable as described in note 8.	\$ -	\$295,000

INTERNATIONAL BIO RECOVERY CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Nine months ended March 31, 2009

10. 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:

	9 months to Mar. 31, 2009		Year ended June 30, 2008	
	Number	Amount	Number	Amount
Balance, beginning of period	50,700,592	\$ 27,372,410	34,867,259	\$ 25,970,021
Escrow shares cancelled	(2,094,000)	-	-	-
Shares issued for:				
Private placements for cash	-	-	15,833,333	1,409,140
Less: share issuance costs	-	-	-	(6,751)
Balance, end of period	48,606,592	\$ 27,372,410	50,700,592	\$ 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 with one warrant exercisable at \$0.15 per share for two years. No value was allocated to the warrants issued in connection with the private placement.

Escrow shares –2,094,000 (2007: 2,094,000) common shares that were held in escrow were cancelled on September 30, 2008 as the Company did not achieve the performance requirements for their release.

Warrants – The Company has 15,833,333 (2008: 833,333) common share purchase warrants outstanding; 833,333 are exercisable at US \$0.24 to August 20, 2009, and 15,000,000 are exercisable at \$0.15 to April 15, 2010.

11. CONTRIBUTED SURPLUS

	March 2009	June 2008
Balance, beginning of period	\$ 1,044,473	\$ 826,781
Fair value of stock options	69,597	217,692
Balance, end of period	\$ 1,114,070	\$ 1,044,473

12. 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.

INTERNATIONAL BIO RECOVERY CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Nine months ended March 31, 2009

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

The following table summarizes the continuity of the Company's stock options outstanding at March 31, 2009 and June 30, 2008:

<u>Outstanding at June 30, 2007</u>	<u>Granted</u>	<u>(Expired/Cancelled)</u>	<u>Outstanding at June 30, 2008</u>	<u>Granted</u>	<u>(Expired/Cancelled)</u>	<u>Outstanding at Mar. 31, 2009</u>	<u>Price</u>	<u>Expiry Date</u>
50,000	-	(50,000)	-	-	-	-	\$0.50	April 21, 2008
2,160,000	-	(280,000)	1,880,000	-	(1,880,000)	-	\$0.35	July 12, 2008
150,000	-	(150,000)	-	-	-	-	\$0.35	July 31, 2008
225,000	-	-	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	\$0.15	July 25, 2013
2,585,000	800,000	(480,000)	2,905,000	2,475,000	(2,125,000)	3,275,000		

A summary of the change in the Company's stock options for the periods ended March 31, 2009 and June 30, 2008 is presented below:

	<u>9 months to Mar. 31, 2009</u>		<u>Year ended June 30, 2008</u>	
	<u>Number</u>	<u>Weighted Average Exercise Price</u>	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of period	2,905,000	\$0.30	2,585,000	\$0.34
Granted	2,475,000	0.15	800,000	0.20
Cancelled or expired	(2,125,000)	(0.33)	(480,000)	(0.37)
Outstanding, end of period	3,275,000	\$0.16	2,905,000	\$0.30

Additional information regarding options outstanding and exercisable as at March 31, 2009 is as follows:

Exercise Price \$	<u>Options outstanding</u>			<u>Options exercisable</u>	
	<u>Outstanding #</u>	<u>Weighted Average Remaining Contractual Life (years)</u>	<u>Weighted Average Exercise Price \$</u>	<u>Exercisable #</u>	<u>Weighted Average Exercise Price \$</u>
0.12	300,000	0.59	0.12	300,000	0.12
0.25	500,000	1.03	0.25	375,000	0.25
0.15	2,475,000	4.32	0.15	1,237,500	0.15
	3,275,000	3.45	0.16	1,912,500	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 nine months ended March 31, 2009 and the year ended June 30, 2008 has been estimated using the Black-Scholes model to be \$69,597 (year ended June 30, 2008 - \$217,692) 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:

	<u>9 months ended Mar. 31, 2009</u>	<u>Year ended June 30, 2008</u>
Risk free interest rate	3.39%	3.62%
Expected dividend yield	0%	0%
Expected stock price volatility	70%	77%
Expected life of options	5 years	1.79 years

The grant-date fair value of options granted during the period ended March 31, 2009 was \$0.05 (2008 - \$0.05).

INTERNATIONAL BIO RECOVERY CORPORATION
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For the Nine months ended March 31, 2009

13. RELATED PARTY TRANSACTIONS

The Company had the following transactions with related parties during the nine months ended March 31, 2009:

- a) Management fees, in lieu of salary and wages, of \$93,750 (2008: \$93,750) were expensed for services provided by directors.
- b) Consulting fees of \$38,000 (2008: \$Nil) were expensed for services provided by a company controlled by an officer.
- c) Accounts payable and accrued expenses include fees payable to directors of \$74,800 (2008: \$81,200). Directors fees and expenses of \$7,143 (2008: \$23,977) were expensed during the nine months to March 31, 2009.
- d) Loans payable include \$257,205 (2008: \$257,205) 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 \$97,242 (2008: \$58,068) 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 \$67,337 (2008: \$92,593) was expensed on these loans payable and a promissory note in the nine months ending March 31, 2009, interest of \$166,930 (2008: \$Nil) was paid to directors during the nine months, and interest payable to directors of \$8,392 (2008: \$141,427) is included in accounts payable and accrued expenses.
- f) In 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 in an amount equal to 10% of the payment received or profit generated, until fully paid. The former President and CEO is a current director and in January 2009, the settlement amount was paid together with interest of \$18,283.

14. 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 enhanced autogenous thermophilic aerobic digestion (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 year ended June 30, 2008, the Company received \$47,600 from NRC. Also during 2008, the Company reached a settlement agreement with a contractor who had provided research services to the Company, resulting in a requirement for the Company to repay \$22,289 of the funds received from NRC; \$15,000 of this amount has been paid to March 31, 2009 and the balance of \$7,289 is recorded in accounts payable and accrued expenses.

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 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 nine months ending March 31, 2009.

INTERNATIONAL BIO RECOVERY CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Nine months ended March 31, 2009

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 is as follows:

March 31, 2009	Technology Sales	Fertilizer Sales	Corporate	Total
Total assets	\$ -	1,997,843	151,309	2,149,152
Property and equipment	-	1,776,856	76,136	1,852,992
Revenues	850,000	25,990	1,189	877,179
Net income (loss)	732,979	(688,579)	(452,228)	(407,828)
March 31, 2008	Technology Sales	Fertilizer Sales	Corporate	Total
Total assets	\$ -	2,403,296	87,359	2,490,655
Property and equipment	-	2,087,702	80,605	2,168,307
Revenues	10,000	462,018	-	472,018
Net loss	(87,951)	(752,663)	(515,089)	(1,355,703)

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

During the nine months ended March 31, 2009, 85.5% of the Company's revenues were received from one customer and 11.4% from a second customer; in the same period of 2008, 97.1% of revenues were received from another customer.

17. SUBSEQUENT EVENTS

Subsequent to March 31, 2009, the Company received a loan of \$200,000 from a shareholder.

INTERNATIONAL BIO RECOVERY CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED MARCH 31, 2009
(Report Prepared on May 26, 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 and to demonstrate operations to prospective technology and end product 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 western Europe, and to 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 end 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, 2008 and the interim unaudited financial statements for the nine months ended March 31, 2009.

**INTERNATIONAL BIO RECOVERY CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED MARCH 31, 2009**

Financial Performance

	Apr-Jun/07	Jul-Sept/07	Oct-Dec/07	Jan-Mar/08	Apr-Jun/08	July-Sept/08	Oct-Dec/08	Jan-Mar/08
	<u>Q4 2007</u>	<u>Q1 2008</u>	<u>Q2 2008</u>	<u>Q3 2008</u>	<u>Q4 2008</u>	<u>Q1 2009</u>	<u>Q2 2009</u>	<u>Q3 2009</u>
<u>Revenue</u>								
Technology & license fees	\$ 400,000	\$ -	\$ -	\$ 10,000	\$ 500,000	\$ -	\$ 850,000	\$ -
Equipment & product sales	335,942	1,935	459,340	743	9,627	16,059	6,611	3,320
Interest & other income	-	-	-	-	26,082	653	439	97
Total Revenues	735,942	1,935	459,340	10,743	535,709	16,712	857,050	3,417
Gains on settlement of liabilities	-	-	-	-	87,096	-	-	-
Net Income (Loss)	30,132	(586,922)	(349,824)	(418,957)	128,896	(394,049)	426,223	(442,402)
Net Income (Loss) per share	\$ 0.00	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ (0.01)	\$ 0.01	\$ (0.01)
	<u>June 30/07</u>	<u>Sept. 30/07</u>	<u>Dec. 31/07</u>	<u>Mar. 31/08</u>	<u>June 30/08</u>	<u>Sept. 30/08</u>	<u>Dec. 31/08</u>	<u>Mar. 31/09</u>
Total Assets	3,253,296	2,762,601	2,615,294	2,490,655	2,788,094	2,435,479	2,902,593	2,149,152
Long term liabilities	78,461	49,354	44,778	40,060	42,446	36,540	30,452	24,157

Revenues from technology and license fees and any associated 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 to March 31, 2009 to the nine months to March 31, 2008

During the nine months ended March 31, 2009, the Company generated revenue from plant license sales of \$850,000, waste collection fees of \$22,090, fertilizer sales of \$3,900, and interest income of \$1,189. Plant license fees were received from Recondo Holdings Limited (\$750,000) for the final payments for a plant in Ireland and Envirco LLC for the initial payment of \$100,000 for plants in California. During the nine months ended March 31, 2008, revenues were generated from equipment sales of \$458,322, a plant license sale of \$10,000, and waste collection fees of \$3,696.

Total expenses during the current nine month period were \$1,285,007 compared to \$1,827,721 in the same period last year; over the past 24 months, monthly expenses, excluding non-cash costs of amortization and stock based compensation, have been reduced by more than 50% or almost \$104,000 per month. Administration costs were \$177,857 lower than the previous year primarily due to a reduction of \$163,758 in stock based compensation. Plant and operations costs decreased by \$13,317, primarily due to a reduction of \$23,383 in rental costs resulting from the cancellation of warehouse space in March 2008. Research and development costs increased by \$57,560 primarily as the Company was receiving grants from National Research Council in the first three quarters of fiscal 2008 and these grants expired in March 2008; in addition use of contractors increased by \$17,206 and patent costs of \$8,922 were incurred. Marketing costs increased by \$84,297 as the prior year had \$132,000 contributions to marketing costs from Converted Organics Inc. as part of their license agreement; these contributions partially offset a \$48,751 cost of consultants and the contribution ended in January 2008. Interest costs declined by \$74,996 due to lower interest rates and the reduction of outstanding payables.

The loss for the nine months ended March 31, 2009 was \$407,828, or \$0.01 per share, compared to a loss of \$1,355,703, or \$0.04 per share, for the same period last year.

**INTERNATIONAL BIO RECOVERY CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED MARCH 31, 2009**

Comparison of the three months to March 31, 2009 to the three months to March 31, 2008

The Company generated revenue from waste collection fees of \$3,320 and interest income of \$97 during the three months ended March 31, 2009. In the same period in the previous year, revenues were generated from plant license sales of \$10,000 and waste collection fees of \$743.

Total expenses during the current three month period were \$445,819 compared to \$429,700 in the same period last year. Administration costs decreased by \$36,882 from the previous year primarily due to a reduction of \$53,212 in stock based compensation, offset by an increase of \$16,618 in accounting and professional fees. Plant and operations costs increased by \$60,709 primarily due to increases of \$29,788 in wages and benefits, \$19,735 in power, water, and sewer costs, and \$7,327, all associated with an increase in plant operations. Research and development costs increased by \$17,640 primarily as the Company was receiving grants from National Research Council in fiscal 2008 and these grants expired in March 2008; grants totalling \$13,847 were received in the three months of 2008. Marketing costs increased by \$31,932 as the prior year had a \$22,000 contribution to marketing costs from Converted Organics Inc. as part of their license agreement.

The net loss for the three months ended March 31, 2009 was \$442,402, or \$0.01 per share, compared to a loss of \$418,957, or \$0.01 per share, for the same period last year.

Financial Condition

At March 31, 2009, the Company had total liabilities of \$1,535,229, a decrease of \$300,711 from the year ended June 30, 2008 as accrued interest on shareholder loans of \$155,129 was paid as well as an accrued severance payment of \$125,000 plus interest of \$18,283. The Company had cash balances of \$32,411 and the working capital position was a deficiency of \$1,456,966 compared to a deficiency of \$1,352,935 at June 30, 2008 and a deficiency of \$2,514,742 at March 31, 2008.

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. 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 had 48,606,592 common shares outstanding at March 31, 2009 and 15,833,333 share purchase warrants; 833,333 of the warrants are exercisable at US \$0.24 to August 20, 2009 and 15,000,000 are exercisable at \$0.15 to April 15, 2010. On September 29, 2008, 2,094,000 performance shares that had been held in escrow were cancelled as the release requirements had not been met. There are also 3,275,000 stock options outstanding, exercisable at prices ranging from \$0.15 to \$0.25 and with expiry dates ranging from October 30, 2009 to July 25, 2013.

**INTERNATIONAL BIO RECOVERY CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
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Business Development

The Company is actively working with a major fertilizer distributor to create a market for its end products. 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 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; the final payment for the Plant License Fee of \$1,250,000 was received in December 2008. 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.

In December, the Company also received the initial payment of \$100,000 from Envirco LLC for a Plant License Fee covering the state of California.

Transactions with Related Parties

During the nine months ended March 31, 2009, the Company paid management fees of \$93,750 in lieu of salaries to a director who has a management position, and fees of \$38,000 for accounting and financial services. In addition, directors receive a fee of \$400 for each meeting or committee meeting attended and directors' fees of \$6,000 were expensed during the nine months; \$74,800 of the fees and expenses were due to directors at December 31, 2008.

At March 31, 2009, the Company had loans of \$646,904 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 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. No new loans or repayment of loans has occurred since the end of April 2008. Accrued interest of \$155,219 on these loans was paid in January 2009.

A promissory note of \$295,000 due to a director, repayable on demand, and earning interest at 15% per annum, was converted in February to a loan as described above.

Adoption of New Accounting Standards

Effective July 1, 2007, the Company adopted new Canadian Institute of Chartered Accountants ("CICA") Handbook section 1506, "Accounting Changes", permitting accounting policy changes only in the event that a change is made within a primary source of generally accepted accounting principles ("GAAP"), or where a change is warranted to provide more relevant and reliable information. All accounting policy changes are to be applied retroactively, unless impracticable. Any prior period errors identified also require retroactive application. The revised standards did not have any material impact on the Company's financial statements.

Effective July 1, 2007, the Company adopted new CICA Handbook Sections 3855 "Financial Instruments - Recognition and Measurement", CICA 3861 "Financial Instruments - Disclosure and Presentation", CICA 3865 "Hedges", CICA 1530 "Comprehensive Income", CICA 3051 "Investments" and CICA 3251 "Equity". The new Handbook Sections establish standards governing the recognition, measurement, disclosure and presentation of financial instruments, when and how hedge accounting may be applied, the reporting and presentation of comprehensive income, accounting for investments subject to significant influence and for measuring and disclosing certain other non-financial instrument investments. The Company does not have any hedging relationships or investments that fall under these standards. Under the new standards, policies followed for

**INTERNATIONAL BIO RECOVERY CORPORATION
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FOR THE NINE MONTHS ENDED MARCH 31, 2009**

Adoption of New Accounting Standards (continued)

periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

In accordance with CICA 1530, "Comprehensive Income", and CICA 3251, "Equity", these sections provide standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income includes net income plus changes in unrealized gains or losses from changes in the fair market value of available-for sale investments, changes in the fair value of derivatives designated as cash flow hedges and currency translation adjustments on self-sustaining foreign operations. The Company does not have any derivative instruments or self-sustaining foreign operations and currently does not have available-for sale investments.

Under CICA 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for sale financial assets or other financial liabilities.

All financial instruments, including derivatives, are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant Handbook Section 3840, "Related Party Transactions". Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is impaired or sold at which time the amounts will be recorded in net income; financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for trading are measured at amortized cost, using the effective interest method of amortization. This new section also requires that transaction costs incurred in connection with the issuance of financial instruments either be capitalized and presented as a reduction of the carrying value of the related financial instrument or expensed as incurred. If capitalized, transaction costs must be amortized to income using the effective interest method. This Section does not permit the restatement of financial statements of prior periods.

The Company classified its financial instruments as follows:

Cash	held-for trading
Accounts receivable	loans and receivables
Bank loan	other financial liabilities
Accounts payable	other financial liabilities
Customer deposits	other financial liabilities
Loans payable	other financial liabilities
Promissory notes payable	other financial liabilities
Capital lease obligations	other financial liabilities

In addition, the Company has elected to account for transaction costs related to the acquisition or issuance of financial instruments as a reduction of the carrying value of the related financial instruments except for those classified as available for sale which are expensed as incurred. The Company did not have any available for sale instruments, held-to-maturity instruments and outstanding contracts with embedded derivatives at July 1, 2007.

**INTERNATIONAL BIO RECOVERY CORPORATION
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Adoption of New Accounting Standards (continued)

As at March 31, 2009, the Company's financial instruments consist of cash, accounts receivable, accounts payable, customer deposits, loans payable, promissory notes, and capital lease obligations. The fair values of current assets and current liabilities approximate their carrying values due to the short-term maturity of the instruments. The fair value of the capital lease approximates its book value due to market prices for similar capital leases. The Company is not exposed to significant interest rate, currency exchange rate or credit risk arising from these financial instruments. The Company is not party to any derivative instruments.

There were no opening adjustments recorded on the adoptions of these standards.

Recent Accounting Pronouncements

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and is effective for interim and annual periods relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

In May 2007, the Accounting Standards Board issued CICA Handbook Section 3031, "Inventories". Section 3031 introduces changes to the measurement and disclosure of inventory and converges with international financial reporting standards and is effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

In December 2006, the Accounting Standards Board issued CICA Handbook Section 3862, "Financial Instruments - Disclosure" and Section 3863, "Financial Instruments - Presentation" which replace Section 3861, "Financial Instruments - Disclosure and Presentation". Section 3862 increases the emphasis on recognition and management of the risks associated with recognized and unrecognized financial instruments. This section carries forward the former presentation requirements and is effective for fiscal years beginning on or after October 1, 2007. The Company is currently assessing the impact of the new disclosure standard and has not yet determined its impact on the Company's financial statements.

In October 2006, the Accounting Standards Board issued CICA Handbook Section 1535, "Capital Disclosures", which establishes standards for disclosing information about an entity's capital and how it is managed. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

**INTERNATIONAL BIO RECOVERY CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED MARCH 31, 2009**

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 March 31, 2009 are effective.

Internal Controls

The Company has designed and implemented a system of internal controls over its financial reporting. Due to the size of the staff involved in processing financial transactions and reporting on them, full segregation of duties that is normally required for full internal controls is not feasible. However, management has implemented approval processes to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of the financial statements for external purposes have been prepared in accordance with Canadian GAAP.

Additional Information

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