

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

**For the nine months ended March 31, 2010**

(Unaudited – Prepared by Management)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of International Bio Recovery Corporation for the nine months ended March 31, 2010 have been prepared by management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indication that an auditor has not reviewed the financial statements.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**INTERNATIONAL BIO RECOVERY CORPORATION**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
March 31, 2010 and June 30, 2009

	March 31, 2010	June 30, 2009
<b>ASSETS</b>		
Current		
Cash	\$ 1,301,024	\$ -
Accounts receivable	34,623	31,818
Deposits and prepaid expenses	4,015	18,681
CURRENT ASSETS	1,339,662	50,499
Property and equipment (Note 5)	1,011,758	1,108,745
Other assets (Note 4)	82,887	72,887
TOTAL ASSETS	\$ 2,434,307	\$ 1,232,131
<b>LIABILITIES</b>		
Current		
Bank loans (Note 6)	\$ -	\$ 89,976
Accounts payable and accrued expenses	650,851	614,031
Current portion of capital lease obligations	19,682	28,308
Customer deposits	100,000	100,000
Loans payable (Note 7)	1,386,360	1,156,360
CURRENT LIABILITIES	2,156,892	1,988,675
Capital lease obligations	2,117	14,284
TOTAL LIABILITIES	2,159,009	2,002,959
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)	27,372,410	27,372,410
Subscriptions for common shares (Note 8)	2,273,491	-
Contributed surplus (Note 9)	1,284,504	1,196,262
Deficit	(30,655,107)	(29,339,500)
TOTAL SHAREHOLDERS' EQUITY	275,298	(770,828)
TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	\$ 2,434,307	\$ 1,232,131

APPROVED ON BEHALF OF THE BOARD:

"Ben Van Dyk"

Director

"Theodore Deuel"

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, 2010 and 2009

(Unaudited – prepared by management)

	Nine months 2010	Nine months 2009	Three months 2010	Three months 2009
<b>REVENUE</b>				
Plant licenses	\$ -	\$ 850,000	\$ -	\$ -
Royalties	2,093	-	-	-
Equipment and product sales	-	3,900	-	-
Waste collection fees	1,884	22,090	-	3,320
Other income	352	1,189	249	97
	<b>4,329</b>	<b>877,179</b>	<b>249</b>	<b>3,417</b>
<b>EXPENSES</b>				
Administration	424,033	332,879	111,896	121,211
Plant and operations	421,306	347,401	146,334	131,976
Sales and marketing	128,198	117,021	29,509	42,682
Interest	130,292	108,317	35,773	26,232
Amortization	130,373	257,449	45,641	85,816
Research and development	82,043	111,862	19,087	33,584
Interest on capital lease obligations	3,691	6,333	1,040	1,902
Cost of equipment and fertilizer sales	-	3,745	-	16
	<b>1,319,936</b>	<b>1,285,007</b>	<b>389,280</b>	<b>443,419</b>
<b>NET INCOME (LOSS)</b>	<b>(1,315,607)</b>	<b>(407,828)</b>	<b>(389,031)</b>	<b>(440,002)</b>
Deficit, beginning of period	(29,339,500)	(27,464,729)	(30,266,076)	(27,432,555)
<b>DEFICIT, end of period</b>	<b>\$(30,655,107)</b>	<b>\$(27,872,557)</b>	<b>\$(30,655,107)</b>	<b>\$(27,872,557)</b>
<b>BASIC AND DILUTED INCOME (LOSS) PER SHARE</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>48,606,592</b>	<b>49,294,402</b>	<b>48,606,592</b>	<b>48,606,592</b>

*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, 2010 and 2009  
(Unaudited – prepared by management)

	Nine months 2010	Nine months 2009	Three months 2010	Three months 2009
<b>OPERATIONS</b>				
Net Income (Loss)	\$ (1,315,607)	\$ 32,174	\$ (389,031)	\$ (440,002)
Items not involving cash:				
Amortization	130,373	171,633	45,641	85,816
Stock-based compensation	88,242	37,509	15,062	32,088
	<b>(1,096,992)</b>	241,316	<b>(328,328)</b>	(322,098)
Changes in non-cash working capital balances:				
Decrease in prepaid expenses and deposits	14,666	1,923	5,672	160
Increase (decrease) in accounts payable and accrued expenses	36,819	56,810	(100,239)	(339,232)
Increase (decrease) in accounts receivable	(2,805)	236	(12,169)	1,602
Increase (decrease) in inventory	-	3,729	-	-
	<b>(1,048,312)</b>	304,014	<b>(435,064)</b>	(659,568)
<b>INVESTING</b>				
Increase in property and equipment	(33,386)	(4,960)	(33,386)	-
Increase in long term assets	(10,000)	-	(10,000)	-
	<b>(43,386)</b>	(4,960)	<b>(43,386)</b>	-
<b>FINANCING</b>				
Subscriptions for common shares	2,284,749	-	101,749	-
Share issue costs	(11,258)	-	(11,258)	-
Increase (decrease) in bank loans	(89,976)	-	-	-
Decrease in capital lease obligations	(20,793)	(18,289)	(7,110)	(6,295)
Increase (decrease) in promissory notes	-	(295,000)	-	(295,000)
Increase (decrease) in loans payable	230,000	295,000	-	295,000
	<b>2,392,722</b>	(18,289)	<b>83,381</b>	(6,295)
Increase (decrease) in cash and cash equivalents	1,301,024	(378,803)	(395,069)	(665,863)
Cash and cash equivalents, beginning of period	-	411,214	1,696,093	698,274
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ 1,301,024</b>	<b>\$ 32,411</b>	<b>\$ 1,301,024</b>	<b>\$ 32,411</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, 2010 and 2009  
(Unaudited – prepared by management)

	<b>Nine months 2010</b>	Nine months 2009	<b>Three months 2010</b>	Three months 2009
<b>ADMINISTRATION:</b>				
Stock option expense	\$ 88,242	\$ 69,596	\$ 15,062	\$ 32,088
Legal fees	71,875	25,988	8,372	12,224
Wages	96,901	110,472	34,162	32,426
Office expenses	66,425	51,845	27,156	15,722
Directors fees and expenses	37,625	7,143	7,682	2,931
Accounting and professional fees	38,000	44,686	12,000	16,618
Public company costs	19,646	19,234	3,360	7,843
Travel & entertainment	6,633	3,736	4,001	1,259
Foreign exchange	(1,314)	179	101	-
	<b>\$ 424,033</b>	<b>\$ 332,879</b>	<b>\$ 111,896</b>	<b>\$ 121,211</b>
<b>PLANT AND OPERATIONS:</b>				
Wages and benefits	\$ 158,412	\$ 152,340	\$ 48,709	\$ 53,268
Waste disposal	52,686	-	8,936	-
Rent & Property Tax	110,710	97,818	41,044	32,444
Power, water and sewer	37,981	61,178	13,976	26,497
Repairs and maintenance	38,059	16,880	16,729	8,230
Supplies & materials	14,813	11,288	9,215	6,523
Other	8,645	7,897	7,685	5,014
	<b>\$ 421,306</b>	<b>\$ 347,401</b>	<b>\$ 146,334</b>	<b>\$ 131,976</b>
<b>SALES AND MARKETING:</b>				
Management fees	\$ 88,429	\$ 93,750	\$ 25,929	\$ 31,250
Travel	36,902	22,371	713	11,432
Growing trials	-	900	-	-
Other expenses	2,867	-	2,867	-
	<b>\$ 128,198</b>	<b>\$ 117,021</b>	<b>\$ 29,509</b>	<b>\$ 42,682</b>
<b>RESEARCH AND DEVELOPMENT:</b>				
Wages and benefits	\$ 79,636	\$ 74,574	\$ 32,936	\$ 24,432
Contractors	28,687	20,538	10,305	6,205
Other expenses	8,770	10,078	(2,270)	1,514
Patent costs	4,777	8,922	3,188	1,433
Government assistance (note 13)	(39,827)	(2,250)	(25,072)	-
	<b>\$ 82,043</b>	<b>\$ 111,862</b>	<b>\$ 19,087</b>	<b>\$ 33,584</b>

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

For the nine months ended March 31, 2010

**1. NATURE OF OPERATIONS**

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

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

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

At March 31, 2010, the Company had a working capital deficiency of \$817,230 (2009 - \$1,456,966) and incurred a net loss of \$1,315,607 (2009 -\$407,828) for the nine months ended March 31, 2010. 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 interim consolidated financial statements have been prepared in accordance with Canadian GAAP using the same accounting policies and methods as the most recent audited annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended June 30, 2009.

**3. RECENT ACCOUNTING PRONOUNCEMENTS**

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

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

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

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

**(b) International Financial Reporting Standards**

In February 2008, the CICA Accounting Standards Board confirmed that public companies will be required to prepare interim and annual financial statements under IFRS for fiscal years beginning on or after January 1, 2011. This will affect the Company's reporting for the fiscal year starting July 1, 2011 and comparative numbers will be required for the interim periods starting in September 30, 2010. The Company is working with its auditors to determine the effect on its financial statements.

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

For the nine months ended March 31, 2010

**4. EASEMENT**

In 2006, the Company entered into an agreement with a company located in the United States whereby it would be granted an easement over a parcel of land on which a future plant could be built. The agreement requires the Company to make a total payment of \$500,000 prior to construction; during the year ended June 30, 2009, the Company made a non refundable initial payment of \$50,000 to keep the agreement in good standing. The company is not committed or obligated to make further payments unless it intends to build a plant on the property. In January 2010, the Company made a payment of \$10,000 towards permitting costs; both payments are recorded in "Other assets". Also included in "Other assets" are security deposits for services, totalling \$22,887.

**5. PROPERTY AND EQUIPMENT**

	Cost	Accumulated Amortization	Net Book Value	
			March 2010	June 2009
Plant and equipment	\$ 4,758,466	3,877,344	<b>881,122</b>	983,112
Vehicles	356,192	324,833	<b>31,359</b>	40,463
Office building	140,706	84,944	<b>55,762</b>	57,934
Other equipment	334,908	291,393	<b>43,515</b>	27,236
	<b>\$ 5,590,272</b>	<b>4,578,514</b>	<b>1,011,758</b>	<b>1,108,745</b>

Plant and equipment and vehicles includes equipment subject to capital leases having recorded costs of \$87,942 (2009: \$87,942) and accumulated amortization of \$59,555 (2009: \$47,389), and other equipment includes equipment subject to a capital lease having a recorded cost of \$13,375 (2009: \$13,375) and accumulated amortization of \$5,190 (2009: \$3,143). Total amortization expense for the nine months was \$130,373 (2009: \$257,449).

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

**6. 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. As at March 31, 2010, the Company was not using any of the credit facility.

**7. LOANS PAYABLE**

The loans payable are due on demand, and bear interest at 12% per annum. The loans contained a provision that, if they were not repaid in full by December 31, 2009, interest changed from 8% per annum to 12% per annum effective as of February 1, 2009. The loans rank pari-passu with each other 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. The loans payable include \$310,972 (2008: \$351,904) due to a director, \$388,183 due to former directors, and \$257,205 (2008: \$257,205) is due to a company whose directors include a director of the Company.

The Company also received \$430,000 from a company holding a license agreement with the Company; \$230,000 of this amount was received during the nine months to March 31, 2010. These amounts are non-interest bearing and unsecured, and the Company is currently in negotiations regarding repayment or conversion into shares of the Company.

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

For the nine months ended March 31, 2010

**8. 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 March 31, 2010		Year ended June 30, 2009	
	Number	Amount	Number	Amount
Balance, beginning of period	48,606,592	\$ 27,372,410	50,700,592	\$ 27,372,410
Escrow shares cancelled	-	-	(2,094,000)	-
Balance, end of period	48,606,592	\$ 27,372,410	48,606,592	\$ 27,372,410

**Private Placement**

In January 2010, the Company closed a non-brokered private placement of 22,847,499 units at a price of \$0.10 per unit for gross proceeds of \$2,284,749. Each unit consists of one common share and one warrant exercisable at \$0.125 for a period of two years; the warrants contain a provision that they must be exercised within 30 days of notice that the closing price of the Company's shares has been \$0.25 or higher for 20 consecutive trading days. The shares and warrants have not been issued as at March 31, 2010 as the Company is awaiting documentation from one of the investors. The Company has incurred costs of \$11,258 for its submission to the TSX Venture Exchange.

**Warrants** – The Company has 15,000,000 (2008: 15,833,333) common share purchase warrants outstanding, exercisable at \$0.15 to April 15, 2010.

**9. CONTRIBUTED SURPLUS**

	March 2010	June 2009
Balance, beginning of period	\$ 1,196,262	\$ 1,044,473
Fair value of stock options	88,242	151,789
Balance, end of period	\$ 1,284,504	\$ 1,196,262

Contributed Surplus for the Company results from the accumulation of stock based compensation for stock options granted. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options, and expenses the fair value as the options vest. When stock options are exercised, the fair value of the exercised options reduces Contributed Surplus and is charged to Share Capital.

**10. 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 10% 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, 2010

**10. STOCK OPTION PLAN AND STOCK-BASED COMPENSATION** (continued)

The following table summarizes the continuity of the Company's stock options outstanding at March 31, 2010 and June 30, 2009:

<u>Outstanding at June 30, 2008</u>	<u>Granted</u>	<u>(Expired/Cancelled)</u>	<u>Outstanding at June 30, 2009</u>	<u>Granted</u>	<u>(Expired/Cancelled)</u>	<u>Outstanding at Mar. 31, 2010</u>	<u>Price</u>	<u>Expiry Date</u>
1,880,000	-	(1,880,000)	-	-	-	-	\$0.35	July 12, 2008
225,000	-	(225,000)	-	-	-	-	\$0.20	Jan. 23, 2009
500,000	-	-	500,000	-	(500,000)	-	\$0.25	Oct. 30, 2009
300,000	-	-	300,000	-	-	300,000	\$0.12	Apr. 12, 2010
-	2,475,000	-	2,475,000	-	(1,000,000)	1,475,000	\$0.15	July 25, 2013
-	-	-	-	400,000	(200,000)	200,000	\$0.15	Mar.3, 2014
-	-	-	-	500,000	-	500,000	\$0.15	Oct. 30, 2014
<b>2,905,000</b>	<b>2,475,000</b>	<b>(2,105,000)</b>	<b>3,275,000</b>	<b>900,000</b>	<b>(1,700,000)</b>	<b>2,475,000</b>		

A summary of the change in the Company's stock options for the periods ended March 31, 2010 and June 30, 2009 is presented below:

	<u>9 months to March 31, 2010</u>		<u>Year ended June 30, 2009</u>	
	<u>Number</u>	<u>Weighted Average Exercise Price</u>	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	<b>3,275,000</b>	<b>\$0.16</b>	2,905,000	\$0.30
Granted	<b>900,000</b>	<b>\$0.15</b>	2,475,000	0.15
Cancelled or expired	<b>(1,700,000)</b>	<b>\$0.18</b>	(2,105,000)	(0.33)
Outstanding, end of year	<b>2,475,000</b>	<b>\$0.15</b>	3,275,000	\$0.16

Additional information regarding options outstanding and exercisable as at March 31, 2010 is as follows:

<u>Options outstanding</u>				<u>Options exercisable</u>	
<u>Exercise Price</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>
<u>\$</u>			<u>\$</u>		<u>\$</u>
0.12	300,000	0.03	0.12	300,000	0.12
0.15	1,475,000	3.21	0.15	1,475,000	0.15
0.15	700,000	4.40	0.15	175,000	0.15
	<b>2,475,000</b>	<b>3.23</b>	<b>0.15</b>	<b>1,950,000</b>	<b>0.15</b>

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, 2010 has been estimated using the Black-Scholes model to be \$88,242 (year ended June 30, 2009 - \$151,789) and is being recognized as an expense and included in contributed surplus over the vesting period. For purposes of the calculation, the following weighted average assumptions were used:

	<u>9 months ended March 31, 2010</u>	<u>Year ended June 30, 2009</u>
Risk free interest rate	<b>2.38%</b>	3.39%
Expected stock price volatility	<b>156%</b>	127%
Expected life of options	<b>5 years</b>	5 years

The grant-date fair value of options granted during the period ended March 31, 2010 was \$0.07 (2009 - \$0.05).

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

For the nine months ended March 31, 2010

**11. RELATED PARTY TRANSACTIONS**

The Company had the following transactions with related parties during the nine months ended March 31, 2010:

- a) Management fees, in lieu of salary and wages, of \$88,429 (2009: \$93,750) were expensed for services provided by a director.
- b) Consulting fees of \$38,000 (2009: \$38,000) were expensed for services provided by a company controlled by an officer.
- c) Accounts payable and accrued expenses include fees payable to directors of \$7,800 (2009: \$74,800). Fees to directors of \$33,000 (2009: \$7,143) were expensed during the nine months to March 31, 2010.
- d) Loans payable include \$257,205 (2009: \$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 \$149,111 (2009: \$97,242) has been accrued on these loans and is included in accounts payable and accrued expense.
- e) Loans payable are due to a director as described in Note 7. Interest of \$34,970 (2009: \$22,546) was expensed on these loans payable in the nine months ending March 31, 2010, no interest (2009: \$27,266) was paid to the director during the nine months, and interest payable to the director of \$33,595 (2009: \$3,356) is included in accounts payable and accrued expenses.

**12. GOVERNMENT ASSISTANCE**

In October 2009, The Company signed a contribution agreement with National Research Council Canada ("NRC") whereby NRC will contribute a maximum of \$78,000 to the Company's enhanced autogenous thermophilic aerobic digestion (EATAD) process-characterization project over a one year period; \$25,072 of this amount has been accrued to March 31, 2010.

**13. 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:

<b>March 31, 2010</b>	<b>Technology Sales</b>	<b>Fertilizer Sales</b>	<b>Corporate</b>	<b>Total</b>
Total assets	\$ -	940,148	1,494,158	2,434,307
Property and equipment	-	940,148	71,609	1,011,758
Revenues	-	3,977	352	4,329
Net loss	(126,105)	(626,619)	(562,883)	(1,315,607)
Amortization	-	125,154	5,219	130,373
Interest expense	-	-	133,983	133,983
<b>March 31, 2009</b>	<b>Technology Sales</b>	<b>Fertilizer Sales</b>	<b>Corporate</b>	<b>Total</b>
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)
Amortization	-	251,561	5,888	257,449
Interest expense	-	-	108,317	108,317

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

**INTERNATIONAL BIO RECOVERY CORPORATION**  
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**14. CAPITAL MANAGEMENT**

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

**15. FINANCIAL INSTRUMENTS**

As at March 31, 2010 the Company's financial instruments consist of cash, accounts receivable, bank loans, accounts payable and accrued liabilities, and loans payable. The fair values of these financial instruments approximate their carrying values because of their short-term nature.

**a) Fair value**

The fair value of financial instruments March 31, 2010 approximate their carrying value. Fair value estimates are made at the balance sheet date, based on relevant quoted market and other information about the financial instruments.

**b) Financial risk management**

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

**Credit Risk**

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

**Liquidity Risk**

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

**Foreign Exchange Risk**

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

**Interest Rate Risk**

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

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**16. SUBSEQUENT EVENTS**

- i) The Company and its landlord have entered into a Lease Amendment agreement to change the end date of the lease to May 2, 2013 from the original end date of December 31, 2021. In consideration the Landlord has granted a "Rent Credit" of \$50,000 to be reduced from rent payable. The Landlord has also frozen the rent at the current level for the balance of the lease and agreed to repair the roof on the Company's premises. In addition the Lease Amendment provides a small portion of the premises for the use of the Landlord. Any such use will reduce the overall rent payable to the Landlord by 15%.
- ii) On April 12, 2010, 300,000 stock options expired
- iii) In April 15, 2010, 15,000,000 warrants expired.

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**MANAGEMENT DISCUSSION & ANALYSIS**  
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**FOR THE NINE MONTHS ENDED MARCH 31, 2010**  
(Report Prepared on May 28, 2010)

**Description of the Business**

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

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

The Company is in the process of refurbishing the North Vancouver plant to produce sufficient product to establish a market demand and market pricing.

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

**Forward Looking Statements**

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

**Basis of Presentation**

The Company's financial statements are presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("AAP"). This MD&A should be read in conjunction with the annual audited financial statements for the year ended June 30, 2009 and the interim unaudited financial statements for the nine months ended March 31, 2010.

**Quarterly Financial Results**

	Apr-Jun/08	July-Sept/08	Oct-Dec/08	Jan-Mar/09	Apr-Jun/09	July-Sept/09	Oct-Dec/09	Jan-Mar/10
	<b><u>Q4 2008</u></b>	<b><u>Q1 2009</u></b>	<b><u>Q2 2009</u></b>	<b><u>Q3 2009</u></b>	<b><u>Q4 2009</u></b>	<b><u>Q1 2010</u></b>	<b><u>Q2 2010</u></b>	<b><u>Q3 2010</u></b>
<b><u>Revenues</u></b>								
Technology & license fees	\$ 500,000	\$ -	\$ 850,000	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment & product sales	9,627	16,059	6,611	3,320	860	864	1,020	-
Royalties	-	-	-	-	23,466	2,093	-	-
Interest & other income	26,082	653	439	97	48	-	103	249
<b>Total Revenues</b>	<b>535,709</b>	<b>16,712</b>	<b>857,050</b>	<b>3,417</b>	<b>24,374</b>	<b>2,957</b>	<b>1,123</b>	<b>249</b>
<b>Expenses</b>	<b>493,909</b>	<b>410,761</b>	<b>430,827</b>	<b>443,419</b>	<b>613,719</b>	<b>456,323</b>	<b>474,333</b>	<b>389,280</b>
Gain on settlement of liabilities	87,096	-	-	-	-	-	-	-
Impairment of property and equipment	-	-	-	-	(664,354)	-	-	-
Write off deferred research and development	-	-	-	-	(213,244)	-	-	-
<b>Net Income (Loss)</b>	<b>128,896</b>	<b>(394,049)</b>	<b>426,223</b>	<b>(440,002)</b>	<b>(1,466,943)</b>	<b>(453,366)</b>	<b>(473,210)</b>	<b>(389,301)</b>
<b>Net Income (Loss) per share</b>	<b>\$ 0.01</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
	<b><u>June 30/08</u></b>	<b><u>Sept. 30/08</u></b>	<b><u>Dec. 31/08</u></b>	<b><u>Mar. 31/09</u></b>	<b><u>June 30/09</u></b>	<b><u>Sept. 30/09</u></b>	<b><u>Dec. 31/09</u></b>	<b><u>Mar. 31/10</u></b>
Total Assets	2,788,094	2,435,479	2,902,593	2,149,152	1,232,131	1,188,958	2,825,134	2,434,307
Long term liabilities	42,446	36,540	30,452	24,157	14,284	7,557	3,224	2,117

**INTERNATIONAL BIO RECOVERY CORPORATION  
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**Comparison of the nine months to March 31, 2010 to the nine months to March 31, 2009**

The Company generated revenue from waste collection fees of \$1,884, \$2,093 from royalties, and \$352 from interest and other income during the nine months ended March 31, 2010. In the same period in the previous year, revenues were generated from a plant license fee of \$850,000 from Recondo Holdings Ltd., product sales of \$3,900, waste collection fees of \$22,090 and other income of \$1,189. Waste collection fees were much higher in 2009 as the Company was doing trial production runs with different feedstocks.

Total expenses during the nine months ended March 31, 2010 were \$1,319,936 compared to \$1,285,007 in the same period last year. Administration costs increased by \$91,154 from the previous year primarily due to an increase of \$45,920 in legal fees associated with a lease dispute with its landlord, an increase in stock option expense of \$18,646 due to 900,000 options granted in October 2009 and greater share price volatility, and a \$30,482 increase in directors' fees resulting from a large number of board and special committee meetings. Plant and operations costs increased by \$73,905 primarily due to an increase of \$52,686 to dispose of poor quality waste input in the first quarter of the year. Research and development costs decreased by \$29,819, primarily due to a \$37,577 increase in government grants. Marketing costs increased by \$11,177 primarily due to an increase in travel costs.

During the year ended June 30 2009, the Company assessed the carrying value of its property and equipment and deferred research and development; based on an analysis of the carrying values, an impairment charge against property and equipment of \$664,354 was recorded and the \$213,244 balance of 1999 deferred research and development costs was written off. This change resulted in amortization being reduced by \$127,076 in the nine months of 2010 to \$130,373 from \$257,449 in the same period last year.

The net loss for the nine months ended March 31, 2010 was \$1,315,607, or \$0.03 per share, compared to a net loss of \$407,828, or \$0.01 per share, for the same period last year.

**Comparison of the three months to March 31, 2010 to the three months to March 31, 2009**

The Company earned other income of \$249 during the three months ended March 31, 2010. In the same period in the previous year, revenues were generated from waste collection fees of \$3,320 and interest income of \$97.

Total expenses during the current three month period were \$389,280 compared to \$443,419 in the same period last year. Administration costs decreased by \$9,315 from the previous year primarily due to a decrease of \$17,026 in stock based compensation. Plant and operations costs increased by \$14,358 primarily due to an increase of \$8,936 to dispose of poor quality waste input. Research and development costs decreased by \$14,497, primarily due to a \$25,072 government grants in the current quarter, partially offset by increases of \$4,100 in contractor costs and \$8,504 from increased staffing. Marketing costs decreased by \$13,173 due to decreased travel costs.

The net loss for the three months ended March 31, 2010 was \$389,031, or \$0.01 per share, compared to a net loss of \$440,002, or \$0.01 per share, for the same period last year.

**INTERNATIONAL BIO RECOVERY CORPORATION  
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**Financial Condition**

At March 31, 2010, the Company had total liabilities of \$2,159,009, an increase of \$156,050 from the year ended June 30, 2009 primarily due to increases of \$36,820 in accounts payable and accrued liabilities and \$230,000 in loans payable, partially offset by the payoff of a \$89,976 bank loan with the proceeds of a private placement of shares. The working capital position at March 31, 2010 was a deficiency of \$817,230 compared to a deficiency of \$1,938,176 at June 30, 2009, primarily due to funds raised through the private placement.

To date, the Company has not generated sales sufficient to cover its operating expenses and has been dependent on cash from 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. Currently, the Company intends to refurbish and bring back into operation the North Vancouver plant and significant financing will be required, of which only a portion has been committed. If the plant is not brought to operational levels the business plan objectives would not be met and the viability of the Company would be severely impacted.

**Share Capital**

The Company had 48,606,592 common shares outstanding at March 31, 2010 and 15,000,000 share purchase warrants exercisable at \$0.15 to April 15, 2010; these warrants have since expired. There are 2,475,000 stock options outstanding, exercisable at prices ranging from \$0.12 to \$0.15 and with expiry dates ranging from April 12, 2010 to October 30, 2014; 300,000 of the options exercisable at \$0.12 expired on April 12, 2010.

In January 2010, the Company closed a non-brokered private placement of 22,847,499 units at a price of \$0.10 for gross proceeds of \$2,284,749. Each unit consists of one common share and one warrant exercisable for two years at a price of \$0.125; the warrants contain a provision that they must be exercised within 30 days of notice that the closing price of the Company's shares has been \$0.25 or higher for 20 consecutive trading days. The shares and warrants had not been issued as at March 31, 2010 as the Company is awaiting documentation from one of the investors.

**Business Development**

The Company is refurbishing the existing demonstration plant in North Vancouver in order to produce product sufficient to allow product trials, develop market demand, and establish market pricing. Successful operation would provide the 'proof of concept' required by potential plant operators and investors in future IBR plants. The expected operating capacity of the North Vancouver demonstration plant does not generate a positive cash flow to the Company as revenues will not exceed operating costs at the expected low production level. The Company will not reach profitability from operations until a fully operating plant of sufficient size is constructed in a new location. The Company has entered into agreements to locate such a plant in Washington State once the proof of concept has been successful. Upon achievement of this proof of concept objective the Company will then need to secure financing in significant amounts to allow the development of a full size plant, which are estimated to cost in excess of \$25 million per plant depending on the output capacity desired. The Company has not secured any financing commitments for any additional plants and can make no representation that such financing will be available when needed.

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**Transactions with Related Parties**

During the nine months ended March 31, 2010, the Company paid management fees of \$88,429 in lieu of salaries to a director who has a management position, and fees of \$38,000 for accounting and financial services. Prior to the December 2009 Annual General Meeting, directors received a fee of \$400 for each meeting or committee meeting attended, and this fee has now been reduced to \$200; directors' fees of \$33,000 were expensed during the nine months to March 31, 2010. Directors' fees and expenses of \$105,944 were paid to current and previous directors in January 2010.

At March 31, 2010, the Company had a loan of \$310,972 due to a director, \$388,183 due to former 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. The interest rate on all these loans is 12%.

The Company also received \$430,000 from a company holding a license agreement with the Company; \$230,000 of this amount was received during the nine months to March 31, 2010. These amounts are non-interest bearing and unsecured, and the Company is currently in negotiations regarding repayment or conversion into shares of the Company.

**Lease Agreement on North Vancouver office and plant**

The Company and its landlord have entered into a Lease Amendment agreement to change the end date of the lease to May 2, 2013 from the original end date of December 31, 2021. In consideration the Landlord has granted a "Rent Credit" of \$50,000 to be reduced from rent payable. The Landlord has also frozen the rent at the current level for the balance of the lease and agreed to repair the roof on the Company's premises. In addition the Lease Amendment provides a small portion of the premises for the use of the Landlord. Any such use will reduce the overall rent payable to the Landlord by 15%.

**Recent Accounting Pronouncements**

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

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

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

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

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**(b) International Financial Reporting Standards**

In February 2008, the CICA Accounting Standards Board confirmed that public companies will be required to prepare interim and annual financial statements under IFRS for fiscal years beginning on or after January 1, 2011. This will affect the Company's reporting for the fiscal year starting July 1, 2011 and comparative numbers will be required for the interim periods starting in September 30, 2010. The Company is working with its auditors to determine the effect on its financial statements.

**Disclosure Policies**

The Company has disclosure policies in place to ensure that material information is released on a timely basis. The certifying officers of the Company have concluded that the disclosure controls and procedures as of March 31, 2010 are effective.

**Internal Controls**

Disclosure controls and procedures have been established to provide reasonable assurance that material information relating to the Company is made known to management, particularly during the period in which annual filings are being prepared. Furthermore, internal controls have been established to ensure the Company's assets are safeguarded and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. There have been no changes in the Company's internal controls during the period ended March 31, 2010.

**Additional Information**

Additional information about International Bio Recovery Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com).