

OMB APPROVAL	
OMB Number:	3235-0416
Expires:	March 31, 2007
Estimated average burden hours per response	182.00

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## FORM 10-QSB

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES ACT OF 1934  
For the quarterly period ended September 30, 2006

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-20412

# International Barrier Technology Inc.

(Name of small business issuer in its charter)

British Columbia, Canada  
(Jurisdiction of Incorporation/Organization)

N/A  
(IRS Tax ID No.)

750 West Pender Street #604, Vancouver, British Columbia, Canada V6C 2T7  
(Address of principal executive offices)

Issuer's Telephone Number: 604-689-0188

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for  
such shorter period that the registrant was required to file such reports),  
and (2) has been subject to such filing requirements for the past 90 days.

Yes xxx No \_\_\_\_

Indicate by check mark whether the registrant is a shell company (as  
defined in Rule 12b-2 of the Exchange Act).

Yes \_\_\_\_ No xxx

Indicate the number of shares outstanding of each of the issuer's classes  
of common stock as of 10/31/2006: 29,414,925 Common Shares w/o par value

Transitional Small Business Disclosure Format (Check one): Yes \_\_\_\_ No xxx

SEC 2334 (9-05) Potential persons who are to respond to the collection of information  
contained in this form are not required to respond unless the form displays a currently valid  
OMB control number.

**PART I**  
**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**INTERNATIONAL BARRIER TECHNOLOGY INC.**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 2006  
(Stated in US Dollars)  
(Unaudited)

**INTERNATIONAL BARRIER TECHNOLOGY INC.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**

September 30 and June 30, 2006

(Stated in US Dollars)

(Unaudited)

<b>ASSETS</b>	September 30, 2006	June 30 2006
Current		
Cash and term deposits	\$ 878,680	\$ 897,111
Accounts receivable	449,530	473,100
Prepaid expenses and deposits	35,092	34,604
Inventory	303,617	318,427
	<hr/>	<hr/>
	1,666,919	1,723,242
Capital assets	3,775,074	3,685,251
Patent, trademark and technology rights	732,433	763,683
	<hr/>	<hr/>
	\$ 6,174,426	\$ 6,172,176
 <b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 635,999	\$ 542,314
Current portion of long-term debts	9,100	9,100
Current portion of obligation under capital leases	63,974	62,569
	<hr/>	<hr/>
	709,073	613,983
Long-term debts	8,484	18,200
Obligation under capital leases	514,381	539,982
	<hr/>	<hr/>
	1,231,938	1,172,165
	<hr/>	<hr/>
 <b>STOCKHOLDERS' EQUITY</b>		
Common stock		
Authorized:		
100,000,000 common shares without par value		
Issued:		
29,414,925 common shares (June 30, 2006: 29,389,925 common shares)	15,079,071	15,059,952
Additional capital – stock-based compensation	879,301	849,120
Accumulated other comprehensive income	28,833	22,650
Deficit	(11,044,717)	(10,931,711)
	<hr/>	<hr/>
	4,942,488	5,000,011
	<hr/>	<hr/>
	\$ 6,174,426	\$ 6,172,176
	<hr/>	<hr/>

SEE ACCOMPANYING NOTES

**INTERNATIONAL BARRIER TECHNOLOGY INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
for the three months ended September 30, 2006 and 2005  
(Stated in US Dollars)  
(Unaudited)

	Three months ended September 30,	
	<u>2006</u>	<u>2005</u>
Sales	\$ 1,984,692	\$ 1,342,192
Cost of goods sold	1,559,046	991,026
Gross profit	425,646	351,166
Operating expenses		
Research and development	119,070	12,193
Amortization – plant and equipment	57,450	14,897
Amortization – trademark and technology costs	31,250	31,250
	207,770	58,340
Administrative expenses		
Accounting and audit fees	25,187	1,680
Consulting	1,685	2,250
Filing Fees	196	4,273
Insurance	32,208	6,148
Interest and bank charges	40	221
Interest on long-term debt	7,813	5,473
Legal fees	30,903	8,338
Office and miscellaneous	24,768	6,686
Sales, marketing, and investor relations	21,761	93,119
Stock-based compensation – Note 2	38,079	10,042
Telephone	3,332	3,526
Transfer agent fees	1,218	-
Travel, promotion, trade shows	18,162	12,825
Wages and management fees – Note 3	139,513	92,028
	344,865	246,609
Income (loss) from operations	(126,989)	46,217
Other item:		
Other income	13,983	9,693
Net income (loss) for the period	\$ (113,006)	\$ 55,910
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	29,409,705	27,844,510

SEE ACCOMPANYING NOTES

**INTERNATIONAL BARRIER TECHNOLOGY INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
for the three months ended September 30, 2006 and 2005  
(Stated in US Dollars)  
(Unaudited)

	Three months ended September 30,	
	<u>2006</u>	<u>2005</u>
Operating Activities		
Net income (loss) for the period	\$ (113,006)	\$ 55,910
Changes not involving cash:		
Amortization	88,700	46,147
Stock-based compensation	38,079	10,042
Working capital changes:		
Accounts receivable	23,570	60,067
Prepaid expenses	(488)	(6,735)
Inventory	14,810	79,657
Accounts payable	93,685	2,822
	<hr/>	<hr/>
Cash provided by operations	145,350	247,910
	<hr/>	<hr/>
Investing Activity		
Purchase of capital assets	(147,273)	(691,757)
	<hr/>	<hr/>
Financing Activities		
Long-term debts	(9,716)	(10,475)
Capital lease obligations	(24,196)	(10,676)
Common shares issued for cash	11,221	164,289
	<hr/>	<hr/>
Cash provided by (used in) financing activities	(22,691)	143,138
	<hr/>	<hr/>
Effect of exchange rate changes on cash	6,183	19,719
	<hr/>	<hr/>
Decrease in cash during period	(18,431)	(280,990)
	<hr/>	<hr/>
Cash and term deposits, beginning of the period	897,111	1,275,944
	<hr/>	<hr/>
Cash and term deposits, end of the period	\$ 878,680	\$ 994,954
	<hr/>	<hr/>
Supplementary cash flow information:		
Cash paid for:		
Interest	\$ 7,813	\$ 5,472
	<hr/>	<hr/>
Income taxes	\$ -	\$ -
	<hr/>	<hr/>

SEE ACCOMPANYING NOTES

**INTERNATIONAL BARRIER TECHNOLOGY INC.**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
for the period ended September 30, 2006  
(Stated in US Dollars)

	Common Stock		Additional Capital – Stock-based Compensation	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
	Issued Shares	Amount				
Balance, June 30, 2005	27,645,325	\$ 13,898,740	\$ 728,710	\$ (43,047)	\$ (10,719,987)	\$ 3,864,416
Issued for cash pursuant to the exercise of share purchase warrants						
- at \$0.60	217,000	130,200	-	-	-	130,200
- at \$0.61	200,000	122,000	-	-	-	122,000
- at \$0.62	165,000	102,300	-	-	-	102,300
- at \$0.63	320,000	201,600	-	-	-	201,600
- at \$0.64	575,000	368,000	-	-	-	368,000
Issued for cash pursuant to the exercise of share purchase options						
- at \$0.09	50,000	4,500	-	-	-	4,500
- at \$0.44	52,500	23,100	-	-	-	23,100
- at \$0.66	55,100	36,615	-	-	-	36,615
- at \$0.69	110,000	75,900	-	-	-	75,900
Stock-based compensation	-	-	217,407	-	-	217,407
Reclassification of stock-based compensation charges upon exercise of share purchase options	-	96,997	(96,997)	-	-	-
Foreign currency translation adjustment	-	-	-	65,697	-	65,697
Net loss for the year	-	-	-	-	(211,724)	(211,724)
Balance, June 30, 2006	29,389,925	15,059,952	849,120	22,650	(10,931,711)	5,000,011

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SEE ACCOMPANYING NOTES

Continued

**INTERNATIONAL BARRIER TECHNOLOGY INC.**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
for the period ended September 30, 2006  
(Stated in US Dollars)

	Common Stock		Additional Capital – Stock-based Compensation	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
	Issued Shares	Amount				
Balance, June 30, 2006	29,389,925	15,059,952	849,120	22,650	(10,931,711)	5,000,011
Issued for cash pursuant to the exercise of share purchase options - at \$0.45	25,000	11,221	-	-	-	11,221
Reclassification of stock-based compensation charges upon the exercise of share purchase options	-	7,898	(7,898)	-	-	-
Stock-based compensation	-	-	38,079	-	-	38,079
Foreign currency translation adjustment	-	-	-	6,183	-	6,183
Net loss for the period	-	-	-	-	(113,006)	(113,006)
Balance, September 30, 2006	29,414,925	\$ 15,079,071	\$ 879,301	\$ 28,833	\$ (11,044,717)	\$ 4,942,488

SEE ACCOMPANYING NOTES

**INTERNATIONAL BARRIER TECHNOLOGY INC.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
September 30, 2006  
(Stated in US Dollars)  
(Unaudited)

Note 1      Interim Reporting

While the information presented in the accompanying three months to September 30, 2006 financial statements is unaudited, it includes all adjustments which are, in the opinion of management necessary to present fairly the financial position, results of operations and cash flows for the interim period presented in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. It is suggested that these interim unaudited financial statements be read in conjunction with the Company's audited financial statements for the year ended June 30, 2006.

Operating results for the three months ended September 30, 2006 are not necessarily indicative of the results that can be expected for the year ending June 30, 2007.

Note 2      Share Capital

Escrow:

At September 30, 2006, there are 48,922 shares held in escrow by the Company's transfer agent. The release of these shares is subject to the direction or determination of the relevant regulatory bodies.

Commitments:

Stock-based Compensation Plan

At September 30, 2006, the Company has granted directors, officers and consultants stock options to purchase 2,445,900 common shares of the Company.



Note 2 Share Capital – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

A summary of the status of company's stock option plan for the three months ended September 30, 2006 is presented below:

	<u>Number Of Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding, June 30, 2006	2,220,900	\$0.60
Exercised	(25,000)	\$0.45
Granted	<u>250,000</u>	<u>\$0.55</u>
Outstanding, September 30, 2006	<u>2,445,900</u>	<u>\$0.57</u>
Exercisable, September 30, 2006	<u>2,130,900</u>	

The following summarizes information about the stock options outstanding at September 30, 2006:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
32,500	\$0.44	May 2, 2007
150,000	\$0.66	July 19, 2007
400,000	\$0.80	October 6, 2007
20,000	\$0.50	February 23, 2008
378,500	\$0.09	March 5, 2008
120,000	\$0.69	March 6, 2008
1,094,900	\$0.65	August 24, 2009
<u>250,000</u>	\$0.55	August 9, 2010
<u>2,445,900</u>		

During the three months ended September 30, 2006, a compensation charge associated with the granting of stock options in the amount of \$38,079 (2005: \$10,042) was recognized in the financial statements.

Note 2      Share Capital – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

All stock-based compensation charges have been determined under the fair value method using the Black-Scholes option-pricing model with the following assumptions:

	Three months ended September 30,	
	<u>2006</u>	<u>2005</u>
Expected dividend yield	0.00%	0.00%
Expected volatility	61.41% - 112.5%	89.5%
Risk-free interest rate	3.02% - 4.90%	3.02%
Expected terms in years	2 years	2 years

Warrants

At September 30, 2006, the following share purchase warrants were outstanding entitling the holder to purchase one common share for each warrant held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,890,000	\$0.66	March 22, 2007
<u>1,253,000</u>	\$0.92	August 20, 2008
<u>3,143,000</u>		

Note 3      Related Party Transactions

The Company was charged the following by directors of the Company or private companies with common directors during the three months ended September 30, 2006 and 2005:

	Three months ended September 30,	
	<u>2006</u>	<u>2005</u>
Wages and management fees	<u>\$ 40,704</u>	<u>\$ 35,887</u>

Note 4      Contingent Liability

The Company is a defendant in a lawsuit claiming damages for defective building materials. The amount of the loss, if any, is not determinable and, in the opinion of management in consultation with independent counsel, this lawsuit is without merit.

Note 5      Canadian and United States of America Generally Accepted Accounting Principles

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which do not differ with those principles and practices that the Company would have followed had its financial statements been prepared in accordance with accounting principles generally accepted in Canada.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Quarterly Report on Form 10-QSB contains forward-looking statements.

These statements may be identified by the use of words like "plan", "expect", "aim", "believe", "project", "anticipate", "intend", "estimate", "will", "should", "could" and similar expressions in connection with any discussion, expectation, or projection of future operating or financial performance, events or trends. In particular, these include statements about the Company's strategy for growth, marketing expectations, product prices, future performance or results of current or anticipated product sales, interest rates, foreign exchange rates, and the outcome of contingencies, such as potential joint ventures and/or legal proceedings.

Forward-looking statements are based on certain assumptions and expectations of future events that are subject to risks and uncertainties. Actual future results and trends may differ materially from historical results or those projected in any such forward-looking statements depending on a variety of factors, including, among other things, the factors discussed in this Quarterly Report and factors described in documents that we may furnish from time to time to the Securities and Exchange Commission. We undertake no obligation to update publicly or revise any forward-looking statements because of new information, future events or otherwise.

International Barrier Technology Inc. (Barrier) manufactures and sells fire-rated building materials primarily in the United States. Barrier has a patented fire protective material (Pyrotite™) that is applied to building materials to greatly improve their respective fire resistant properties. Coated wood panel products are sold to builders through building product distribution companies all over the USA. Four of the top five multifamily homebuilders in the USA currently utilize Barrier's fire rated structural panel Blazeguard® in areas where the building code requires the use of a fire rated building panel.

### **Discussion of Operations and Liquidity**

International Barrier Technology Inc. (Barrier) manufactures and sells fire-rated building materials primarily in the USA. Barrier has a patented fire protective material (Pyrotite™) that is applied to building materials to greatly improve their respective fire resistant properties. Coated wood panel products are sold to builders through building product distribution companies all over the USA. Many of the top multifamily homebuilders in the USA utilize Barrier's fire rated structural panel Blazeguard® in areas where the building code requires the use of a fire rated building panel.

### **Discussion of Operations**

Barrier's financial statements are filed with both the SEC (USA) and SEDAR (Canada) and are disclosed in US dollars utilizing US generally accepted accounting principles. Barrier's filings with the SEC consist of quarterly reviewed financial statements on Form 10-QSB and annual audited financial statements on Form 10-KSB. Barrier continues to file the above financial statements with SEDAR in Canada.

**Sales** reported for the first quarter of Fiscal 2007 were \$1,984,692, up 48% from the same period last year. Gross profit has improved to \$425,646 from a three-month total of \$351,166 in the previous year. Gross margin, as a percentage of sales revenue in the three-month period, was 21.4%. Total sales revenue was impacted by historically low sheathing (plywood and Oriented Strand Board) prices. Sheathing costs are basically a "pass through" commodity item for Blazeguard sales. Cyclicalities in sheathing costs are expected and do not materially effect bottom line profits, but a downward trend in sheathing will have a direct impact on total sales revenue.

Sales, as measured by surface volume of product shipped for the quarter, were 2,691,800 sq.ft.; an increase of 63% from the 1,651,400 sq.ft. shipped the same period the previous year. Sales into the commercial modular business segment, accounted for 44% of the total volume shipped over the three-month period. Barrier anticipates that this market will continue to provide an opportunity for sustained growth and will also provide the basis for the development of other markets, such as fire rated residential and non-modular roof deck applications, during fiscal 2007.

Florida continues to be the most significant market for Blazeguard sales into the multifamily residential roof market. Sales growth has been facilitated by continued gains in market share as more builders switch from chemically impregnated fire rated panels. Multifamily sales improved 91% quarter to quarter, to 1,488,600. Of this total, 957,900 sq ft was shipped to Florida. Blazeguard sales into southern California, which is another strong multifamily market recently penetrated by Barrier, improved to nearly 200,000 sq. ft. Sales into the California market have been facilitated by Bear Forest Products; a wholesale building products distributor operating out of Riverside, CA. Bear also has a yard near Phoenix, AZ and intends to begin to distribute Blazeguard from that facility in the current fiscal quarter.

In addition to the newly penetrated geographies of southern California and Arizona, Barrier is intent upon beginning multifamily sales into Texas as well. Sales representatives are being sought after to help continue sales growth momentum in southern California, Arizona, and Texas

**Cost of goods sold** in the three-month period ending September 30, 2006 increased to \$1,559,046 from \$991,026. This increase is directly related to the higher volume of production and shipments. Average direct costs per sq.ft. of production (including the substrate) was slightly lower for the three-month period year to year.

The average cost of goods sold has remained relatively constant year to year. Barrier anticipates significant improvements in the average cost of both labor and materials as the new, highly automated production line continues to provide a higher percentage of product shipped. Efficiencies will continue to improve as labor becomes more experienced with the idiosyncrasies of the new system. Also, the need for additional "temporary" labor will decline as full time, permanent labor becomes more efficient. While the number of required workers on the new line will be similar to the old line, the designed production capacity of the new line will be more than twice that of the old line.

**Operating expenses** were higher in the three-month period reported. Operating expenses rose to \$207,770 from \$58,340. This included 119,070 of R&D expenses that were incurred capturing trade secrets being developed on the new manufacturing line as it becomes more fully operational. Additional testing expense was also incurred as new market applications continue to be explored and developed.

Amortization on plant and equipment increased from \$14,897 to \$57,450. The increase reflects the depreciation of the new manufacturing line equipment as it is now producing substantial volumes. The amortization of the world-wide Pyrotite technology (including patents, technical know-how, and trademarks) began when Barrier purchased it in 2004 and will continue at existing rates until it is fully depreciated (8 years).

**Administrative expenses** in the reported three-month period increased to \$344,865 from \$246,609 for the same period last year. Barrier is required to report a line item entitled "stock-based compensation". This figure is an estimate of the value of stock options awarded to management and key personnel as a portion of their total compensation package (see section: Critical Accounting Estimates below). Since options are typically granted with a redeemable stated value less than the current market value, a formula is used to charge the company the difference. While this reporting is a requirement, and a reflection of value the Company is granting to key personnel, it is a "non-cash" item that does not directly impact operational performance.

Administrative expenses, net of stock based compensation, for the three-month period ending September 30, 2006 was \$306,786, an increase from \$236,567 the previous year. While the totals are higher, administrative costs per sq. ft. declined to \$0.11 per sq. ft. from \$0.14 for the three-month period. As volumes continue to increase, a further reduction in the average cost of administrative expense per sq.ft. produced is expected. Barrier expects the reduction in the average cost of administration to have a significant impact on bottom line performance in future reporting periods.

Accounting and audit fees are up considerably in the three-month period. Accounting requirements have increased significantly with the enactment of the Sarbanes-Oxley Act and the result is indicated in this reporting period. Insurance costs have increased due to the purchase of a Directors and Officers insurance policy. In addition, the increase in sales volumes led to additional coverage requirements. Three month insurance costs have risen to \$32,208 from \$6,148 the previous year.

Travel, promotion, and trade show expenses are slightly higher as a result of increased activity and the development of the mid-west territory. Wages and management fees for the three-month period have grown to \$139,513 from \$92,028 reflecting the addition of professional staff including a new Financial Services Manager (Mr. Todd Lorsung).

Legal fees have increased to \$30,903 from \$8,338 for the quarter. This was due to patent fees associated with the process technology developed from the new manufacturing line, in addition to preparation work for potential licensing opportunities in Australia. Sales, marketing, and investor relations expenses are lower for the quarter ending September 30, 2006, in comparison to the prior year. Barrier will continue to expand upon its shareholder and customer communication programs to ensure the public is informed about business development and emerging opportunities. Barrier recently participated in ABC's "Extreme Makeover Home Edition" to help a deserving family in Minot, ND. Barrier provided Blazeguard® Fire-Rated Sheathing for the project and it was used in the entire roof deck of the home.

**Other items** include income not directly relate to business operations. Other items reported herein include \$13,983 in interest income for the three-month period ending September 30, 2006.

#### **Net Income (loss)**

A net loss of (\$113,006) is reported here for the three-month period ending September 30, 2006, whereas in the same period in 2005, a net income of \$55,910 was reported. The inefficiencies of bringing on the new manufacturing line during this quarter, including: material usage; temporary labor; and training, has impacted the bottom line. As the new line approaches its designed capacity and sales continue to grow at record levels, the positive result will impact net income.

**Summary of Quarterly Results.** The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Sept 30 2006	June 30 2006	Mar 31 2006	Dec 31 2005	Sept 30 2005	June 30 2005	Mar 31 2005	Dec 31 2004
Volume shipped (MSF)	2,691.82	2,267.02	1,554.41	1,820.21	1,651.4	1,305.91	1,361.11	1,290.6
Total Revenues (000\$)	1.985	1.826	1.825	1.611	1.342	1.069	1.196	1.041
Operating Income	(127.0)	(150.3)	1.7	(187.5)	46.1	(332.6)	(21.1)	(210.3)
Net income (loss)	(113.0)	(144.5)	60.9	(183.9)	55.8	(213.0)	(11.3)	(113.1)
Per Share	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)
Stock-Based Compensation	38.1	40.8	0.0	166.5	10.0	34.7	0.00	7.8
Net income less SBC*	(74.9)	(103.7)	60.9	(17.4)	65.8	(178.3)	(11.3)	(105.3)

\*SBC (Stock-Based Compensation)

Sales volumes continue to increase in a significant way. Sales volume shipped in the most recent quarter was the highest in Barrier's history and 19% higher than the record set in the fourth quarter of last fiscal year. Volume of product shipped in the three-month period ended September 30, 2006 was 1,040,400 sq.ft. greater than in the three month period ending September 30, 2005; a year-to-year increase of 63%. Since Barrier's financial performance is ultimately driven by production volume and efficiency, this rate of sales volume growth is very significant and will ultimately result in significant future profits.

**New product and market development** Barrier is investing time and financial resources in an effort to accelerate long-term growth. While these expenditures take away from near term profits, the long-term result will be beneficial to attaining our goals. Initiatives continue to provide opportunities for sales expansion and growth.

Progress continues to be made in designing a "modified" Class A commercial modular roof deck assembly in cooperation with MuleHide Products, Inc. The modified Class A system is being developed to satisfy requirements for portable classrooms in California, and other parts of the US that utilize portable classrooms. California uses more portable classrooms than any other state in the US. Since California's specifications are among the most stringent in the US, satisfying California requirements will enable a modular classroom manufacturer to sell the design in nearly every state desiring portable classroom buildings. Additionally, the improvements in the Class A system will provide the basis for other Class A roof assembly applications such as wood deck commercial and residential areas prone to wildfires.

Barrier has continued its work on developing a new market application for Blazeguard manufactured with a wood veneer face. These overlaid panels will be used in interior wall applications where a Class A flame spread is required: institutional and commercial office buildings. Barrier is working on this project in association with a major US producer of plywood and particleboard. Preliminary veneer trials have been encouraging. Glue compatibility with existing veneer laminating companies, for the purposes of third party manufacturing during business startup, is the current focus of R&D activity. Barrier and their partner in this endeavor remain keenly optimistic about the opportunities this market has for future sales.

Structural Insulative Panels (SIP's) was a significant business for Blazeguard from 1996-1999. A non-uniform surface appearance of the coating applied by the existing production line, however, created insurmountable issues in marketing the product as an exposed interior wall surface. The new line will allow Barrier to more successfully produce products to an acceptable interior panel standard. Barrier anticipates a renewed interest in Blazeguard into the SIP's market by mid-year 2006.

Significant progress continues to be made in marketing Blazeguard enhanced Class C roof deck assemblies to modular building manufacturers all over the USA. These portable and modular buildings are being used as temporary shelters and construction trailers in Louisiana and other areas impacted by hurricane Katrina. Barrier, and its partner in this development endeavor, MuleHide Products, Inc., believes that the growth of this business will continue to be strong throughout 2006 and beyond.

**Global licensing opportunities.** With the purchase of the world technology rights, including U.S. patents, foreign patent filings, trademarks, know-how and trade secrets, Barrier is in a position to develop partners all over the globe in licensing arrangements. Interested parties in China, Saudi Arabia, Mexico, Ireland, Great Britain, Australia, and New Zealand have communicated interest to Barrier. Barrier, in turn, is responding with information about the attributes of Blazeguard, and the Pyrotite technology in an effort to assess their appropriateness in the construction of building communities (residential and commercial) in these countries.

Barrier is also exploring various configurations of the process technology that will enable individual manufacturing customers to place small treatment lines in their own facilities. These small scale processing lines will be designed to satisfy the individual's independent need for product treatment. The licensing agreements will be designed to: protect the technology, prohibit competition, and provide for royalties to be paid to Barrier on an ongoing basis.

Product and technology licensing scenarios are being developed within Barrier and management is confident that licensing relationships or relationships leading to licensing contracts will be in existence prior to the end of the current fiscal year.

**Financial position & financings.** During the three-month period, Barrier issued a total of 25,000 common shares for proceeds totaling \$11,221 as follows: 25,000 common shares at \$0.45 per share pursuant to the exercise of share purchase options.

Barrier ended the period with a working capital surplus of \$957,846.

#### **Related Party Transactions**

During the three months ended September 30, 2006 the Company incurred wages and management fees of \$40,704 with directors of the Company and companies with common directors.



**Capitalization**

Authorized: 100,000,000 common shares without par value.

Issued as of September 30, 2006: 29,414,925 common shares at \$15,079,071

Issued as of November 9, 2006: 29,414,925 common shares at \$15,079,071

Options and warrants outstanding:

The following summarizes information about the stock options outstanding at September 30, 2006 reflected in US dollar currency:

Number	Exercise Price	Expiry Date
32,500	\$0.44	May 2, 2007
150,000	\$0.66	July 19, 2007
400,000	\$0.80	October 6, 2007
20,000	\$0.50	February 23, 2008
378,500	\$0.09	March 5, 2008
120,000	\$0.69	March 6, 2008
1,094,900	\$0.65	August 24, 2009
<u>250,000</u>	\$0.55	August 9, 2010
<u>2,445,900</u>		

At March 31, 2006, the following share purchase warrants were outstanding entitling the holder to purchase one common share for each warrant held as follows:

Number	Exercise Price	Expiry Date
1,890,000	\$0.66	March 22, 2007
<u>1,253,000</u>	\$0.92	August 20, 2008
<u>3,143,000</u>		

## **Critical Accounting Estimates**

### **Stock-based Compensation Charge and Expense**

As described in Note 3 to the audited annual financial statements dated June 30, 2006, the Company records stock-based compensation expense in respect to the fair market value on newly issued stock options. This fair market value of the stock options is estimated at the date the stock options are granted using the Black-Scholes option-pricing model. The related stock-based compensation expense is recognized over the period in which the options vest. In addition, this is a non-cash compensation charge and the cash flow effects are realized only at the time of exercise.

### **Internal Control and Financial Reporting Procedures**

The board of directors evaluates and maintains internal control procedures and financial reporting procedures to ensure the safeguarding of Barrier's assets as well as to ensure full, true, accurate and timely disclosure of Barrier's financial position for the quarterly period ended September 30, 2006, that would materially affect the accuracy of this financial report.

### **Other Matters**

As at September 30, 2006, the Company does not have any off-balance sheet arrangements to report.

**Legal proceedings:** In late December 2005, the Company was notified of a pending lawsuit in the state of New Jersey whereupon a townhome association which utilized Blazeguard in a roof replacement project in 1996 is claiming damages resulting from Company product failure. The Company is insured against such damages and has documented that incorrect product installation by the customer and the customer's builder was the cause of the subsequent water damage. The Company anticipates no material impact.

The Directors and the management of the Company know of no other material, active or pending, legal proceedings against them; nor is the Company involved as a plaintiff in any other material proceeding or pending litigation. The Directors and the management of the Company know of no active or pending proceedings against anyone that might materially adversely affect an interest of the Company.

### **ITEM 3. CONTROLS AND PROCEDURES**

At the end of first fiscal quarter ended 9/30/2006 (the "Evaluation Date"), under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15e under the Exchange Act). Based upon that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that, as of the Evaluation Date, concluded that the Company's disclosure controls and procedures were effective to ensure that information the Company is required to disclose in the reports that it files or submits with the Securities and Exchange Commission under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, identified no change in the Company's internal control over financial reporting that occurred during the Company's Fiscal Year Ended June 30, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II**  
**OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

In late December 2005, the Company was notified of a pending lawsuit whereupon a customer is claiming damages resulting from Company product failure. The Company is insured against such damages and has documented that incorrect product installation by the customer was the cause of the damage. The Company anticipates no material impact.

The Directors and the management of the Company know of no other material, active or pending, legal proceedings against them; nor is the Company involved as a plaintiff in any material proceeding or pending litigation. The Directors and the management of the Company know of no active or pending proceedings against anyone that might materially adversely affect an interest of the Company.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the first fiscal quarter ended 9/30/2006,  
25,000 stock option were exercised, raising \$11,221.  
b. No Disclosure Necessary.  
c. No Disclosure Necessary.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

No Disclosure Necessary.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No Disclosure Necessary.

**ITEM 5. OTHER INFORMATION**

**A. Reports on Form 8-K:**

1. Effective September 28, 2006, the Company filed a Registration Statement on Form S-8 with the US Securities and Exchange Commission under Reg FD relating to a press release. [www.HomebuilderStocks.com](http://www.HomebuilderStocks.com) (HBS), a global investor and industry news portal for the homebuilder sector, reports on homebuilder stocks and the current housing market. The housing sector, which has experienced record-breaking numbers over the past five years has seen significant slowing this year. Homebuilder stocks have felt the brunt of this decline in their share value over the past several months. While many speculate as to whether or not this sector has reached a bottom, some of the large players in this industry have started to realize gains in their stock price since mid-summer.

2. Effective September 22, 2006, the Company filed a Registration Statement on Form S-8 with the US Securities and Exchange Commission under Reg FD relating to press releases.

a. On September 6, Michael Huddy, Chief Executive Officer for International Barrier Technology, Inc. (OTC Bulletin Board: IBTGF - News) updated the investment community in an exclusive interview with www.wallst.net. Topics covered in the interview include an overview of the Company and the markets it serves, recent press releases, current capitalization, upcoming strategic and financial milestones.

b. International Barrier Technology Inc. ("Barrier") (IBTGF: OTCBB; IBH: TSXV), a manufacturer of proprietary fire resistant building materials, is pleased to report records for both monthly sales volume and revenue for the month ending August 31, 2006. Eight hundred eighty-five thousand, one hundred sq. ft. (885,100) of product was shipped in August 2006, which exceeds the previous record of 851,600 sq. ft. shipped during March 2006. Year-to-year August sales volumes increased 53% from 578,200 sq.ft. shipped in August 2005.

3. Effective August 30, 2006, the Company filed a Registration Statement on Form S-8 with the US Securities and Exchange Commission under Reg FD relating to a press release. International Barrier Technology Inc. ("Barrier") (IBTGF: OTCBB; IBH: TSXV), a manufacturer of proprietary fire resistant building materials, is pleased to report the company's national appearance on CNBC's "Business and Beyond", hosted by James Brown. The national airing on CNBC was scheduled for Saturday, August 26, 2006 at 6:30 a.m. Eastern.

4. Effective August 21, 2006, the Company filed a Registration Statement on Form S-8 with the US Securities and Exchange Commission under Reg FD relating to press releases.

a. International Barrier Technology Inc., a manufacturer of proprietary fire resistant building materials, is pleased to report record July revenue and July shipments. The sales revenue of \$730,368 attained in July 2006 was 43% higher relative to the 2005 revenue of \$511,488.

b. International Barrier Technology Inc. (the "Company") announces that it will be extending the term of 1,253,000 share purchase warrants issued pursuant to a private placement for an additional two years from their current expiry date of August 19, 2006 to a new expiry date of August 19, 2008. The extension of the term of these warrants is subject to (1) the approval of disinterested shareholders at the Company's next annual general meeting, and (2) regulatory approval.

5. Effective August 14, 2006, the Company filed a Registration Statement on Form S-8 with the US Securities and Exchange Commission under Reg FD relating to a press release. International Barrier Technology Inc. (the "Company") (IBTGF: OTCBB; IBH: TSXV) is pleased to announce the appointment of Craig Roberts as Director.

6. Effective August 7, 2006, the Company filed a Registration Statement on Form S-8 with the US Securities and Exchange Commission under Reg FD relating to a press release and past third-party research reports.

a. The Company, a manufacturer of proprietary fire-resistant building materials, is pleased to report the release of a revised Internet-website: "International Barrier Technology, Protecting People and Property From Fire". The website may be found at: [www.intlbarrier.com](http://www.intlbarrier.com). Further details are available in the Company's press release dated July 18, 2006.

b. In August 2005, the Company engaged Dutton Associates, a California-based independent securities research firm, to provide publicly available research reports on the Company. Their initial report was published September 6, 2005, with six subsequent updates. The Dutton Associates website may be found at <http://www.jmdutton.com/index.html>. Their reports are attached hereto and incorporated by reference.

7. Effective August 7, 2006, the Company filed a Registration Statement on Form S-8 with the US Securities and Exchange Commission under Reg FD relating to a press release. International Barrier Technology Inc. is pleased to report record shipments for the fiscal year ending June 30, 2006. Fiscal year to date sales revenue has increased to \$6,610,801 an increase of 51%, from 2005.

Fourth quarter sales revenue was \$1,830,167 an increase of 71% from the same three month period in the previous year. Financial statements are forthcoming but are expected to represent significant improvements in a variety of areas over the previous fiscal year. Further details are available in the Company's press release dated July 7, 2006.

**B. Information required by Item 401(g) of Regulation S-B:**  
No Disclosure Necessary.

#### **ITEM 6. EXHIBITS**

- 31.1 Rule 13a-14(a)/15d-14(a)  
Certification executed by Michael Huddy, Director/President/CEO
- 31.2 Rule 13a-14(a)/15d-14(a)  
Certification executed by David Corcoran, Director/CFO
- 32.1 Section 1350 Certification by Michael Huddy, Director/President/CEO
- 32.2 Section 1350 Certification by David Corcoran, Director/CFO

#### **SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

International Barrier Technology Inc. -- SEC File No. 000-20412  
Registrant

Date: November 14, 2006                      /s/ Michael Huddy  
Michael Huddy, President/CEO/Director

Date: November 14, 2006                      /s/ David Corcoran  
David Corcoran, CFO/Director

## EXHIBIT 31.1

### CERTIFICATIONS

I, Michael Huddy, certify that:

1. I have reviewed this report on Form 10-QSB of International Barrier Technology Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information;
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2006

/S/ MICHAEL HUDDY

Michael Huddy

Director, President and Chief Executive Officer

## EXHIBIT 31.2

### CERTIFICATIONS

I, David Corcoran, certify that:

1. I have reviewed this report on Form 10-QSB of International Barrier Technology Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information;
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2006

/S/ DAVID CORCORAN

David Corcoran

Director and Chief Financial Officer



**Exhibit 32.1**

**Section 1350 Certification**

The undersigned, Michael Huddy, Director, President and Chief Executive Officer of International Barrier Technology Inc. (the "Company"), hereby certifies that the Quarterly Report of the Company on Form 10-QSB for the period ended September 30, 2006 (the "Report") (1) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and the results of operations of the Company.

/S/ MICHAEL HUDDY

Michael Huddy

Director, President and Chief Executive Officer

Dated: November 14, 2006

This certification shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to International Barrier Technologies Inc. and will be retained by International Barrier Technologies Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

## Exhibit 32.2

### Section 1350 Certification

The undersigned, David Corcoran, Director and Chief Financial Officer of International Barrier Technology Inc. (the "Company"), hereby certifies that the Quarterly Report of the Company on Form 10-QSB for the period ended September 30, 2006 (the "Report") (1) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and the results of operations of the Company.

/S/ DAVID CORCORAN

David Corcoran

Director and Chief Financial Officer

Dated: November 14, 2006

This certification shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to International Barrier Technologies Inc. and will be retained by International Barrier Technologies Inc. and furnished to the Securities and Exchange Commission or its staff upon request.