TERRABIOGEN TECHNOLOGIES INC.
(Formerly International Bio Recovery Corporation)

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended September 30, 2011

(Unaudited – Prepared by Management)

Notice: These condensed interim financial statements have been prepared by management and they have not been reviewed by the Company's external auditors

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of TerraBioGen Technologies Inc. for the three months ended September 30, 2011 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 condensed interim financial statements, they must be accompanied by a notice indication that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim 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 interim 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.

TERRABIOGEN TECHNOLOGIES INC.
(formerly International Bio Recovery Corporation)
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by management)

	September 30, 2011	June 30, 2011 (Note 13)	July 1, 2010 (Note 13)
ASSETS			
Current			
Cash	$ -	$ 8,702	$ 635,897
Amounts receivable (Note 6)	**19,267**	38,429	41,105
Deposits and prepaid expenses (Note 7)	**14,136**	27,208	28,664
CURRENT ASSETS	**33,403**	74,339	705,666
Property and equipment (Note 8)	**622,285**	724,788	750,483
Other assets (Note 4)	**16,787**	16,787	77,887
TOTAL ASSETS	**$ 672,475**	$ 815,914	$ 1,534,036
LIABILITIES			
Current			
Bank loan	**$ 35,733**	$ -	$ -
Accounts payable and accrued expenses	**329,989**	469,930	658,642
Current portion of capital leases	**-**	-	15,951
Current portion of deferred rent	**16,667**	16,667	16,667
Customer deposits	**100,000**	100,000	100,000
Loans payable (Notes 11 and 18)	**430,000**	430,000	1,386,360
CURRENT LIABILITIES	**912,389**	1,016,597	2,177,620
Term loan (Note 10)	**81,231**	81,231	-
Deferred rent	**9,798**	13,965	30,633
TOTAL LIABILITIES	**1,003,418**	1,111,793	2,208,253
SHAREHOLDERS' EQUITY			
Share capital (Note 12)	**31,670,293**	31,670,293	29,644,135
Share subscriptions (Notes 12 and 18)	**800,000**	366,667	-
Share-based reserve (Note 19)	**642,142**	611,258	244,594
Deficit	**(33,443,377)**	(32,944,097)	(30,562,946)
SHAREHOLDERS' EQUITY (DEFICIENCY)	**(330,943)**	(295,879)	(674,217)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 672,475**	$ 815,914	$ 1,534,036

Operations (Note 1)
Commitments (Note 4 and Note 15)
Subsequent Events (Note 18)

These condensed interim financial statements were approved for issue by the Board of Directors on December 9, 2011 and are signed on its behalf by:

"Blair Heffelfinger"
Director

"Theodore Deuel"
Director

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

TERRABIOGEN TECHNOLOGIES INC.
(formerly International Bio Recovery Corporation)
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
Three Months ended September 30
(Unaudited – prepared by management)

	2011	2010
REVENUE		
Other income	**$ 723**	$ 1,129
TOTAL REVENUE	**723**	1,129
EXPENSES		
Plant and operations	**165,133**	371,693
Administration	**131,063**	293,177
Amortization	**102,503**	30,762
Research and development	**82,058**	37,076
Sales and marketing	**17,180**	50,651
Interest	**1,254**	39,421
Interest on long term debt	**812**	-
TOTAL EXPENSES	**500,003**	822,780
NET LOSS AND COMPREHENSIVE LOSS	**(499,280)**	(821,651)
Deficit, beginning of period	**(32,944,097)**	(30,562,946)
DEFICIT, end of period	**$ (33,443,377)**	$ (31,384,597)
BASIC AND DILUTED LOSS PER SHARE	**$ (0.01)**	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**103,142,901**	71,454,091

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

TERRABIOGEN TECHNOLOGIES INC.
(formerly International Bio Recovery Corporation)
CONDENSED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY

	Common shares					
	Number of Shares	Amount	Share Subscriptions	Share-based payment reserve	Deficit	Total Equity
Balance at July 1, 2010	71,454,091	$ 29,644,135	$ –	$ 244,594	$ (30,562,946)	$ (674,217)
Share-based compensation	–	–	–	149,499	–	149,499
Comprehensive loss for the period	–	–	–	–	(821,651)	(821,651)
Balance at September 30, 2010	71,454,091	$ 6,113,547	$ –	$ 394,093	$ (31,384,597)	$ (1,346,369)
Balance at July 1, 2011	103,142,901	$ 31,670,293	$ 366,667	$ 611,258	$ (32,944,097)	$ (295,879)
Share subscriptions Received	–	–	433,333	–	–	433,333
Share-based compensation	–	–	–	30,884	–	30,884
Comprehensive loss for the period	–	–	–	–	(499,280)	(499,280)
Balance at September 30, 2011	103,142,901	$ 31,670,293	$ 800,000	$ 642,142	$ (33,443,377)	$ (330,943)

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

TERRABIOGEN TECHNOLOGIES INC.
(formerly International Bio Recovery Corporation)
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
Three Months ended September 30
(Unaudited – prepared by management)

	2011	2010
OPERATIONS		
Net Income (Loss)	$ **(499,280)**	$ (821,651)
Items not involving cash:		
Amortization	**102,503**	30,762
Deferred rent	**(4,167)**	(4,167)
Stock-based compensation	**30,884**	149,499
	(370,060)	(645,557)
Changes in non-cash working capital balances:		
Decrease in prepaid expenses and deposits	**13,072**	14,624
Increase (decrease) in accounts payable and accrued expenses	**(139,942)**	84,155
Decrease (increase) in accounts receivable	**19,162**	(8,754)
CASH USED IN OPERATING ACTIVITIES	**(477,768)**	(555,532)
INVESTING		
Increase in property and equipment	**-**	(23,657)
CASH USED IN INVEST ACTIVITIES	**-**	(23,657)
FINANCING		
Increase (decrease) in bank loans	**35,733**	-
Increase in share subscriptions	**433,333**	-
Decrease in capital lease obligations	**-**	(12,160)
CASH PROVIDED BY FINANCING ACTIVITIES	**469,066**	(12,160)
Increase (decrease) in cash and cash equivalents	**(8,702)**	(591,349)
Cash and cash equivalents, beginning of period	**8,702**	635,897
CASH AND CASH EQUIVALENTS, end of period	$ **-**	$ 44,548

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

TERRABIOGEN TECHNOLOGIES INC.
(formerly International Bio Recovery Corporation)
CONDENSED INTERIM STATEMENTS OF EXPENSES
Three Months ended September 30
(Unaudited – prepared by management)

	2011	2010
ADMINISTRATION:		
Wages and management fees	$ 49,754	$ 85,346
Stock option expense	30,884	149,499
Accounting and professional fees	17,500	15,000
Office expenses	14,877	17,384
Legal fees	13,138	12,000
Travel & entertainment	3,145	3,861
Public company costs	965	5,318
Directors fees and expenses	800	4,769
	$ 131,063	**$ 293,177**
PLANT AND OPERATIONS:		
Wages and benefits	$ 79,782	$ 132,174
Rent & Property Tax	29,485	29,797
Repairs and maintenance	27,020	175,325
Power, water and sewer	19,002	10,458
Supplies & materials	8,274	14,234
Safety and Test	895	8,895
Waste disposal	675	810
	$ 165,133	**$ 371,693**
SALES AND MARKETING:		
Wages and benefits, & Management fees	$ -	$ 25,000
Contractors	10,103	22,334
Travel	7,077	2,764
Growing trials	-	553
	$ 17,180	**$ 50,651**
RESEARCH AND DEVELOPMENT:		
Wages and benefits	$ 51,771	$ 35,066
Contractors	20,000	6,860
Other expenses	17,305	3,697
Government assistance (note 12)	(7,018)	(8,547)
	$ 82,058	**$ 37,076**

1. OPERATIONS

TerraBioGen Technologies Inc. was incorporated in British Columbia, Canada, on August 17, 1993 and is a public company traded on the TSX Venture Exchange. On January 21, 2011, the Company changed its name from International Bio Recovery Corporation.

The Company has developed an environmental technology which processes organic material from food 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 primarily used for research and development, and to provide product for growing trials.

The Company's common shares are listed on the TSX Venture Exchange under the trading symbol "TBG:V". The Company's share options and share purchase warrants are not listed.

The Company's principal office is located at:

52 Riverside Drive
North Vancouver, BC V7H 1T4
Canada

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
The condensed interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, IBR Bio-Recovery (Van Is) Ltd. and Genica Inc., for the three months ended September 30, 2011. All material intercompany balances and transactions have been eliminated upon consolidation.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. These condensed interim financial statements represent the Company's initial presentation of its results and financial position under IFRS. These interim financial statements for the three months ended September 30, 2011 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of IFRS* along with the accounting policies the Company expects to adopt in its June 30, 2012 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all periods presented unless noted below.

As these are the Company's first condensed interim financial statements prepared in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2011 annual consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In 2013 and beyond, the Company may not provide the same amount of disclosure in the Company's condensed interim financial statements under IFRS as the reader will be able to refer to the annual financial statements which will be prepared in accordance with IFRS.

The Company's financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in some respects from IFRS. In preparing these condensed interim financial statements, management has amended certain accounting and valuation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2011 were restated to reflect these adjustments. Note 13 presents reconciliations and descriptions of the effects of the transition from Canadian GAAP and IFRS on the statement of financial position and statement of comprehensive loss as at July 1, 2010 and as at, and for the year ended, June 30, 2011 and as at, and for the three months ended, September 30, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

These condensed interim 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 condensed interim financial statements.

Revenue recognition – The Company earns revenue from the licensing of its proprietary technology, either by way of territorial rights to sub-license the technology or through a license to operate a specific plant. Revenue includes technology transfer agreements, license fees and royalties based on a plant's gross revenue.

The Company recognizes license fees when non-refundable payments are received under plant license agreements.

Sales of fertilizer and equipment are recognized when delivery has occurred and title has passed to the customer under the terms of the contract, and collection is reasonably assured.

Waste collection fees are recognized when material is collected and delivered to the Company's plant.

Cash and cash equivalents – The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and equipment – Property and equipment are recorded at cost and amortized over their estimated useful lives at the following annual rates:

Plant and equipment	straight-line to December 2012
Office building	straight-line to April 2013
Laboratory equipment	30% declining balance
Other equipment	20-30% declining balance
Vehicles	30% declining balance

One-half of the above rates are applied in the year of acquisition.

Effective May 2010 the Company revised the estimated remaining useful life of the office building, and effective July 1, 2011 the Company revised the estimated remaining useful life of the plant and equipment. Both of these revisions are a result of new lease terms entered into with the landlord. (See also Note 15). The changes in accounting estimates resulted in an increase of the amortization expense and a corresponding reduction in the net carrying value of these assets. The Company has recognized the changes in accounting estimates on a prospective basis.

Management tests for impairment whenever certain defined events or changes in circumstances indicate that the carrying amount of its property and equipment may not be recoverable. Management assesses the recoverability of these long-lived assets by comparing the projected undiscounted net cash flows associated with the related asset or asset group over their estimated remaining lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets.

Research and development – Research and development costs are expensed as incurred.

Government assistance – Government assistance, consisting of research grants, is recorded as a reduction of research and development expenses when there is reasonable assurance that the assistance will be realized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Leases – Leases are classified as either capital or operating leases. Leases that transfer substantially all of the benefits and risks incidental to the ownership of equipment are classified as capital leases. At the inception of a capital lease, the equipment and an obligation is recorded at its fair value. Equipment under a capital lease is amortized on a declining-balance basis at rates varying from 20 to 30% per annum, which approximates the equipment's estimated useful life.

All other leases are classified as operating leases.

Future income taxes – The Company uses the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. The effect on future taxes for a change in tax rates is recognized in income in the period that includes the enactment date. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that future income tax assets will be realized.

Share-based payments
The fair value, at the grant date, of equity-settled share-based awards is charged to comprehensive loss over the period for which the benefits of employee and others providing similar services are expected to be received using the graded vesting method. The corresponding accrued entitlement is recorded in the share award reserve. The fair value of awards is calculated using an option pricing model which considers the following factors:

- Exercise price
- Expected volatility
- Risk-free interest rate
- Expected life of the award
- Current market price of the underlying shares
- Expected forfeitures

The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and vesting conditions are met. Consideration received on the exercise of share options is recorded as share capital and the related share-based payment reserve is transferred to share capital. For those options that expire after vesting, the amount previously recorded in share-based payment reserve is transferred to deficit.

Share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or the services.

Foreign currency translation - These condensed interim financial statements are presented in Canadian dollars. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates at the balance sheet date. Non-monetary items are translated at historical exchange rates. Revenues and expenses are translated using average rates of exchange during the year. Exchange gains or losses arising from currency translation are included in the determination of net income.

Loss per share – The Company uses the "treasury stock method" in computing earnings per share. Basic and diluted loss per share is determined by dividing the loss attributable to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is not separately presented, as the effect of securities exercisable into common shares would reduce the amount presented as loss per share.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates – The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of estimates include the useful lives and recoverability of property and equipment, amortization, future income taxes and share-based compensation. Management bases its estimates on historical experience and on other assumptions considered to be reasonable under the circumstances. However, actual results may differ from these estimates.

Financial Instruments - The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with CICA Handbook Section 3840, "Related Party Transactions".

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company designates cash as held-for-trading, amounts receivable as loans and receivables, and accounts payable, customer deposits and loans payable as other financial liabilities.

3. MANAGEMENT OF CAPITAL

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.

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 required the Company to make a total payment of $500,000 prior to construction; during the year ended June 30, 2009, the Company made an initial payment of $50,000 to keep the agreement in good standing, and a further payment of $10,000 was made during the year ended June 30, 2010. During the year ended June 30, 2011, the Company decided not to make additional payments although it continues to evaluate the property for a future plant. The total payments of $60,000 were originally recorded in "Long-term assets" together with security deposits for long-term commitments. During the year ended June 30, 2011, the easement payments of $60,000 were expensed on the statement of operations as there is sufficient uncertainty as to whether or not these payments will provide a benefit to the Company in the near term. This amount was recorded as "Other expense".

5. FINANCIAL INSTRUMENTS

Fair value
The fair value of the Company's financial instruments is approximated by their carrying value as at September 30, 2011, June 30, 2011, and July 1, 2010 due to their short term nature.

Fair value hierarchy
IFRS 7 establishes a fair value hierarchy, for financial instruments measured at fair value, that reflects the significance of inputs in making fair value measurement as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 – inputs for the asset or liability that are not based upon observable market date

The fair value of cash is based on Level 1 inputs for the fair value hierarchy.

Financial risk management objectives and policies
The Company's financial instruments include cash, amounts receivable, and accounts payable and accrued liabilities. The risk associated with these financial instruments and the policies regarding their management are discussed below. Management monitors these risk exposures to ensure appropriate measures are implemented in a timely and effective manner.

Foreign currency risk
Most of the Company's operating expenditures are denominated in Canadian dollars and certain operating expenses are in United States dollars. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the United States dollar.

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

At September 30, 2011, June 30, 2011, and July 1, 2010 the Company has no significant foreign currency denominated assets, and held foreign currency denominated financial liabilities as follows:

	As at:		
	September 30, 2011	June 30, 2011	July 1, 2010
Canadian dollars	$ 324,239	$ 465,100	$ 658,115
United States dollars	5,750	4,830	527
	$ 329,989	$ 469,930	$ 658,642

The following table discusses the Company's sensitivity to a 10% increase or decrease in the Canadian dollar (CDN) against the United States dollar denominated financial liabilities above. The sensitivity analysis measures the effect from recalculation of these items as at the balance sheet date by using adjusted foreign exchange rates.

2011	CDN appreciation by 10%	CDN depreciation by 10%
Comprehensive loss		
Financial liabilities	$ 429	$ 540
2010		
Comprehensive loss		
Financial liabilities	$ (524)	$ (660)

5. FINANCIAL INSTRUMENTS - continued

Interest rate risk
The Company is not exposed to significant interest rate risk.

Credit risk
Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian banks that are believed to be creditworthy. Amounts receivable is comprised primarily of amounts due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

Liquidity risk
Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities are all within three months at September 30, 2011.

6. AMOUNTS RECEIVABLE

	September 30, 2011	June 30, 2011	July 1, 2010
Canadian Harmonized Sales Tax	$ 8,356	$ 11,179	$ 14,474
National Research Council	7,018	23,232	20,562
Scale usage	2,475	2,598	609
Trade receivable	-	-	5,460
Refund from trade payable	1,418	1,418	-
	$ 19,267	$ 12,847	$ 41,105

7. DEPOSITS AND PREPAID EXPENSES

	September 30, 2011	June 30, 2011	July 1, 2010
Deposits	$ -	$ -	$ 5,000
Prepaid insurance premiums	4,928	5,806	4,260
Prepaid property taxes	9,208	18,417	19,040
Other	-	2,985	364
	$ 14,136	$ 27,208	$ 28,664

8. PROPERTY AND EQUIPMENT

2011							
	Plant and equipment	Vehicles	Laboratory equipment	Office building	Construction in progress	Other	Total
Costs							
Balance, July 1, 2011	$4,559,376	$ 356,192	$ 205,656	$ 140,706	$ 48,821	$ 185,511	$5,496,262
Additions	-	-	-	-	-	-	-
Balance, September 30, 2011	$4,559,376	$ 356,192	$ 205,656	$ 140,706	$ 48,821	$ 185,511	$5,496,262
Depreciation and cumulative impairment losses							
Balance July 1, 2011	$4,014,350	$ 336,365	$ 142,797	$ 106,697	$ -	$ 171,265	$4,771,474
Depreciation	90,839	1,487	4,714	4,606	-	857	102,503
Balance, September 30, 2011	$4,105,189	$ 337,852	$ 147,511	$ 111,303	$ -	$ 172,122	$4,873,977
Carrying amount at September 30, 2011	$ 454,187	$ 18,340	$ 58,145	$ 29,403	$ 48,821	$ 13,389	$ 622,285

2010							
	Plant and equipment	Vehicles	Laboratory equipment	Office building	Construction in progress	Other	Total
Costs							
Balance, July 1, 2010	$4,547,021	$ 356,192	$ 152,945	$ 140,706	$ -	$ 183,252	$5,380,116
Additions	12,355	-	52,711	-	48,821	2,259	116,146
Balance, June 30, 2011	$4,559,376	$ 356,192	$ 205,656	$ 140,706	$ 48,821	$ 185,511	$5,496,262
Depreciation and cumulative impairment losses							
Balance July 1, 2010	$3,919,260	$ 327,868	$ 127,153	$ 88,270	$ -	$ 167,082	$4,629,633
Depreciation	95,090	8,497	15,644	18,427	-	4,183	141,841
Balance, June 30, 2011	$4,014,350	$ 336,365	$ 142,797	$ 106,697	$ -	$ 171,265	$4,771,474
Carrying amount at June 30, 2011	$ 545,026	$ 19,827	$ 62,859	$ 34.009	$ 48,821	$ 14,246	$ 724,788

9. 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.

10. TERM LOAN

In December 2010, the Company converted $81,231 of accrued interest on loans payable into a term loan. This term loan bears interest at 4% per annum and is repayable by October 31, 2013. The loan ranks behind the general security agreement on the bank loan described in Note 9, and 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.

11. LOANS PAYABLE

In December 2010, the Company repaid $606,360 of loans payable and accrued interest of $160,574 on these loans was waived; $96,486 of accrued interest on these loans was converted into 1,378,368 common shares which were allotted and will be issued on the earlier of a) demand, or b) October 31, 2012. An additional $350,000 of loans payable were exchanged for 5,000,000 units at $0.07 per unit (see Note 12) and accrued interest of $81,231 on these loans was converted into a term loan (see Note 10). All of these loans were repayable on demand, and were earning interest at 12% per annum. The loans ranked pari-passu with each other behind the general security agreement on the bank loan described in Note 9, and were 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.

Of the loans repaid, $310,972 was paid to a former director and $257,205 was paid to a company whose directors include a former director of the Company. Accrued interest of $69,624 was waived by the former director and the company whose directors include a former director of the Company i) waived $82,088 of accrued interest and ii) agreed to convert $96,486 of accrued interest into shares as indicated above. See Note 12d.

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 year ended June 30, 2010. These amounts are non-interest bearing and unsecured, and the Company has entered into negotiations to convert these amounts into common shares of the Company.

See Note 18.

12. 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:

	Three months ended September 30, 2011		Year ended June 30, 2011	
	Number	**Amount**	Number	Amount
Balance, beginning of period	**103,142,091**	**$ 31,670,293**	71,454,091	$ 29,644,135
Shares issued for:				
Private placements for cash	-	-	25,310,442	1,606,360
Shares issued for loans payable	-	-	5,000,000	350,000
Less: share issuance costs	-	-	-	(26,688)
Shares allotted but not issued	-	-	1,378,368	96,486
Balance, end of period	**103,142,901**	**$ 31,670,293**	103,142,901	$ 31,670,293

a) On June 7, 2010, the Company issued 22,847,499 units at a price of $0.10 per unit for gross proceeds of $2,284,749. Each unit consisted of one common share and one share purchase warrant exercisable at $0.125 per share for two years.

b) On November 30, 2010, the Company issued 14,285,714 units at a price of $0.07 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.12 per share up to November 30, 2012.

c) On December 10, 2010, the Company issued 11,024,728 units at a price of $0.055 per unit for gross proceeds of $606,360. Each unit consisted of one common share and one share purchase warrant exercisable at $0.12 per share until December 10, 2012 and at a price of $0.15 until December 10, 2013.

12. SHARE CAPITAL - continued

d) As at September 30, 2011, the Company had received subscriptions totalling $800,000 towards a non-brokered private placement. The Company intends to raise $1,500,000 through the issue of 15,000,000 units at a price of $0.10 per unit; each unit consists of one common share and one-half a warrant; each full warrant may be used to purchase one common share at $0.15 for eighteen months.

See Note 18.

Shares for Debt

i) On December 10, 2010, the Company issued 5,000,000 units at a price of $0.07 per unit to convert $350,000 of loans payable. Each unit consisted of one common share and one share purchase warrant exercisable at $0.12 per share up to December 10, 2012.

ii) On December 10, 2010, the Company allotted 1,378,368 common shares pursuant to the debt settlement described in Note 11. The allotted shares have not been issued but are considered to be outstanding and are factored into the calculation of the basic and diluted loss per share.

No value was allocated to the warrants included in the above-noted unit offerings given that the warrants had no intrinsic value at the time of issuance of the unit offerings.

Warrants – Details of warrant transactions during the three months ended September 30, 2011 and the year ended June 30, 2011 are as follows:

	Three months ended September 30, 2011	Year ended June 30, 2011
Outstanding, beginning of year	**53,157,941**	22,847,499
Issued	**-**	30,310,442
Outstanding, end of year	**53,157,941**	53,157,941

As at September 30, 2011, the Company had outstanding warrants as follows:

Quantity	Exercise price	Expiry date
22,847,499	$0.125 (1)	June 7, 2012
14,285,714	$0.12	November 30, 2012
11,024,728	$0.12 (2)	December 10, 2012
5,000,000	$0.12	December 10, 2012

(1) If the closing price of the Company's shares on the TSX Venture Exchange meets or exceeds $0.25 for 20 consecutive trading days, the Company may provide notice to the warrant holders that the warrants will expire 30 days after such notice.
(2) Exercise price increases to $0.15 on December 11, 2012 until expiry on December 10, 2013

13. SHARE-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.

13. SHARE-BASED COMPENSATION - continued

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.

The following table summarizes the continuity of the Company's share-based compensation outstanding at September 30, 2011 and at the year ended June 30, 2011:

Outstanding at June 30, 2010	Granted	Expired/ Cancelled	Outstanding at June 30, 2011	Granted	(Expired/ Cancelled)	Outstanding at Sept. 30, 2011	Price	Expiry Date
1,475,000	-	(825,000)	650,000	-	-	650,000	$0.15	July 25, 2013
200,000		-	200,000	-	-	200,000	$0.15	Mar. 3, 2014
500,000		(500,000)	-	-	-	-	$0.15	Oct. 30, 2014
-	2,200,000	(200,000)	2,000,000	-	-	2,200,000	$0.12	July 5, 2015
-	1,400,000	-	1,400,000	-	-	1,400,000	$0.10	July 5, 2015
-	250,000	-	250,000	-	-	250,000	$1.00	May 31, 2013
-	200,000	-	200,000	-	-	200,000	$1.25	May 31, 2014
-	250,000	-	250,000	-	-	250,000	$1.75	May 31, 2015
-	2,025,000	-	2,025,000	-	(100,000)	2,025,000	$0.12	Dec. 15, 2015
2,175,000	6,325,000	(1,525,000)	6,975,000	-	(100,000)	6,875,000		

A summary of the change in the Company's share-based compensation for the three months ended September 30, 2011 and the year ended June 30, 2011 is presented below:

	3 months to Sept. 30, 2011		Year ended June 30, 2011	
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Outstanding, beginning of year	**6,975,000**	**$0.24**	2,175,000	$0.15
Granted	**-**	**-**	6,325,000	0.25
Cancelled or expired	**(100,000)**	**$0.12**	(1,525,000)	(0.15)
Outstanding, end of year	**6,875,000**	**$0.24**	6,975,000	$0.24

Additional information regarding options outstanding and exercisable as at September 30, 2011 is as follows:

Options outstanding				Options exercisable	
Exercise Price $	Outstanding #	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price $	Exercisable #	Weighted Average Exercise Price $
0.15	650,000	1.82	0.15	650,000	0.15
0.15	200,000	2.43	0.15	200,000	0.15
0.12	2,000,000	3.76	0.12	1,000,000	0.12
0.10	1,400,000	3.76	0.10	700,000	0.10
1.00	250,000	1.67	1.00	-	1.00
1.25	200,000	2.67	1.25	-	1.25
1.75	250,000	3.67	1.75	-	1.75
0.12	1,925,000	4.21	0.12	1,443,750	0.12
	6,875,000	3.56	0.24	3,993,750	0.13

13. SHARE-BASED COMPENSATION (continued)

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 three months ended September 30, 2011 and the year ended June 30, 2011 has been estimated using the Black-Scholes model to be $Nil (year ended June 30, 2011 - $366,664) and is being recognized as an expense and included in share-based reserve over the vesting period. For purposes of the calculation, the following weighted average assumptions were used:

	3 months ended Sept. 30, 2011	Year ended June 30, 2011
Risk free interest rate	**N/A**	2.22%
Expected dividend yield	**N/A**	0%
Expected stock price volatility	**N/A**	163%
Expected life of options	**N/A**	4.86 years

The grant-date fair value of options granted during the three months ended September 30, 2011 was $Nil (year ended June 30, 2011 - $0.08).

14. RELATED PARTY TRANSACTIONS

The Company had the following transactions with related parties during the three months ended September 30, 2011:

a) Management fees, in lieu of salary and wages, of $Nil (2010: $25,000) were expensed for services provided by a former director.

b) Consulting fees of $15,000 (2010: $15,000) were expensed for services provided by a company controlled by an officer; $Nil (2010: $Nil) of these fees are included in accounts payable and accrued expenses.

c) Accounts payable and accrued expenses include fees payable to directors of $7,600 (2010: $34,400). Fees to directors of $800 (2010: $3,400) were expensed during the three months to September 30, 2011.

d) In December 2010, the Company paid off loans payable which included $310,972 paid to a former director and $257,205 paid to a company whose directors include a former director of the Company. Accrued interest of $69,624 was waived by the former director and the company whose directors include a former director of the Company i) waived $82,088 of accrued interest and ii) agreed to convert $96,486 of accrued interest into shares (see Note 11).

15. COMMITMENTS

During the year ended June 30, 2010, the Company and its landlord amended the lease agreement for its North Vancouver demonstration plant. The amended lease agreement expires May 3, 2013 and contains provisions that allow the landlord to use a portion of the property at their option; in consideration of the amendment, the landlord forgave $50,000 of rental payments due which the company is amortizing over the remaining term of the lease. The remaining commitments under the amended lease agreement aggregate $154,812 and are as follows:

Year ended June 30, 2012	$	73,332
Year ended June 30, 2013		81,480

The Company is examining several alternatives to move its operations. In consideration of the lease expiry, the Company is amortizing the remaining net book value of the plant and equipment over the period to an anticipated closure date of December 2012 and the office building over the period to the lease expiry in May 2013.

16. GOVERNMENT ASSISTANCE

During 2009, the Company signed a Contribution Agreement with the National Research Council of Canada's Industrial Research Assistance Program (NRC-IRAP), which will support the Company in its research and development program with a research contribution of up to $78,000 until September 30, 2010; this was subsequently increased to $83,585 until March 31, 2011 and further extended until December 31, 2011. For the three months ended September 30, 2011, the Company submitted no claims to NRC; a total of $5,000 remains under the Agreement and the Company anticipates that it will claim this amount.

During 2010, the Company signed two Contribution Agreements with the National Research Council of Canada's Youth Internship program, which contributes up to $55,250 until March 31, 2012 towards the salaries of recent graduate students working in the Company's research department. For the three months ended September 30, 2011, the Company submitted claims to NRC totalling $7,018 and $3,518 of this is outstanding and included in accounts receivable as at September 30, 2011. A total of $1,384 remains under the Agreement and the Company anticipates that it will claim this amount.

During 2011, the Company signed a Contribution Agreement with NRC-IRAP to support the Company in its research and development program with a research contribution of up to $40,750 until May 31, 2012. The Company did not submit any claims under this agreement during the three months ended September 30, 2011.

17. SEGMENTED INFORMATION

The Company operates in one operating segment which encompasses the licensing of its proprietary technology for conversion of waste into organic fertilizer products, research and development, and the sale of fertilizer. Distribution of operating results in the Company's main areas of focus are as follows:

September 30, 2011	Technology Sales	Fertilizer Sales	Research & Development	Corporate	Total
Total assets	$ -	472,527	106,966	92,982	672,475
Property and equipment	-	472,527	106,966	42,792	622,285
Revenues	-	720	-	3	723
Net loss	(17,180)	(256,739)	(86,772)	(138,589)	(499,280)
Property and equipment additions	-	-	-	-	-
Amortization	-	92,326	4,714	5,463	102,503
Interest expense	-	-		2,066	2,066

September 30, 2010	Technology Sales	Fertilizer Sales	Research & Development	Corporate	Total
Total assets	$ -	642,544	34,735	252,433	929,712
Property and equipment	-	642,544	34,735	66,099	743,378
Revenues	-	780	-	349	1,129
Net loss	(50,651)	(396,806)	(39,434)	(334,760)	(821,651)
Property and equipment additions	-	12,355	11,302	-	23,657
Amortization	-	25,897	2,358	2,507	30,762
Interest expense	-	-	-	39,421	39,421

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

18. SUBSEQUENT EVENTS

Subsequent to September 30, 2011, the Company:

a) Settled $430,000 of loans payable through the issuance of 5,125,000 common shares at $0.08 per share and 3,875,000 warrants exercisable at $0.15 up to June 30, 2013;
b) Received additional subscriptions of $200,000 against a private placement and closed the first tranche of the private placement through the issuance of 10,000,000 common shares and 5,000,000 share purchase warrants exercisable at $0.15 for 18 months (see Note 12 d)
c) Granted 500,000 stock options exercisable at $0.12 up to October 4, 2016; and
d) Amended 700,000 stock options - 250,000 stock options exercisable at $1.00 and expiring May 31, 2013 were amended to 250,000 stock options exercisable at $0.15; 200,000 stock options exercisable at $1.25 and expiring May 31, 2014 were amended to 250,000 stock options exercisable at $0.50; and 250,000 stock options exercisable at $1.75 and expiring on May 31, 2015 were amended to 200,000 stock options exercisable at $0.75.

19. TRANSITION TO IFRS

The Company's financial statements for the year ending June 30, 2012 will be the first annual financial statements that comply with IFRS and these interim financial statements were prepared as described in note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement, in those financial statements, of compliance with IFRS. The Company will make this statement when it issues its 2012 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was July 1, 2010 (the "transition date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be June 30, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for the first time IFRS adoption.

Initial elections upon IFRS adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption options

Share-based payments – IFRS 2 *Share-based payments* encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has chosen to apply the exemption under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the transition date.

IFRS Mandatory exceptions

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

Reconciliation of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption of IFRS did not have an effect on the total operating, investing and financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity and comprehensive income.

19. TRANSITION TO IFRS – continued

RECONCILIATION OF ASSETS, LIABILITIES AND EQUITY

		As at July 1, 2010			As at September 30, 2010			As at June 30, 2011		
	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS										
Current assets										
Cash		$ 635,897		$ 635,897	$ 44,548		$ 44,548	$ 8,702		$ 4,596,565
Amounts receivable		41,015		41,015	49,859		49,859	38,429		37,803
Prepaid expenses		28,664		28,664	14,040		14,040	27,208		65,659
		705,666		705,666	108,447		108,447	74,339		4,700,027
Property and equipment		750,483		750,483	743,378		743,378	724,788		47,978
Long-term assets		77,787		77,787	77,887		77,887	16,787		12,020,083
		$ 1,534,036		$ 1,534,036	$ 929,712		$ 929,712	$ 815,914		$ 16,787,307
LIABILITIES										
Current liabilities										
Accounts payable and accrued liabilities		$ 658,642		$ 658,642	$ 742,797		$ 742,797	$ 469,930		$ 469,930
Current capital lease obligations		15,951		15,951	3,791		3,791	-		-
Current deferred rent		16,667		16,667	16,667		16,667	16,667		16,667
Customer deposits		100,000		100,000	100,000		100,000	100,000		100,000
Loans payable		1,386,360		1,386,360	1,386,360		1,386,360	430,000		430,000
		2,177,620		2,177,620	2,249,615		2,249,615	1,016,597		1,016,597
Term loan		-		-	-		-	81,231		81,231
Deferred rent		30,633		30,633	26,466		26,466	13,965		13,965
		2,208,253		2,208,253	2,276,081		2,276,081	1,111,793		1,111,793
SHAREHOLDERS' EQUITY										
Common shares		29,644,135		29,644,135	29,644,135		29,644,135	32,036,960		32,036,960
Share-based payment reserve	a)	1,297,201	(1,052,607)	244,594	1,429,145	(1,035,052)	394,093	1,654,044	(1,042,786)	611,258
Deficit		(31,615,553)	1,052,607	(30,562,946)	(32,419,649)	1,035,052	(31,384,597)	(33,986,883)	1,042,786	(32,944,097)
		(674,217)		(674,217)	(1,346,369)		(1,346,369)	(295,879		(295,879)
		$ 1,534,036		$ 1,534,036	$ 929,712		$ 929,712	$ 815,914		$ 815,914

19. TRANSITION TO IFRS - continued

RECONCILIATION OF COMPREHENSIVE LOSS

		Three months ended September 30, 2010			Year ended June 30, 2011		
	Note	Canadian GAAP	Effect of Transition To IFRS	IFRS	Canadian GAAP	Effect of Transition To IFRS	IFRS
		$	$	$	$	$	$
Share-based compensation	a)	131,944	17,555	149,499	356,844	9,821	366,665
Other administration		143,678		143,678	564,336		564,336
Plant and operations		371,693		371,693	1,082,669		1,082,669
Amortization		30,762		30,762	141,842		141,842
Research and development		37,076		37,076	161,013		161,013
Sales and marketing		50,651		50,651	115,724		115,724
Short term interest		39,236		39,236	56,560		56,560
Long term interest		185		185	2,351		2,351
Loss from operations		(805,225)		(820,522)	(2,471,904)		(2,481,725)
Gain on settlement of liabilities		-		-	160,574		160,574
Other expense		-		-	(60,000)		(60,000)
Interest income		1,129		1,129	9,084		9,084
Loss and Comprehensive loss		$ (804,096)	$ (17,555)	$ (821,651)	$ (2,371,330)	$ (9,821)	$ (2,381,151)

Changes in accounting policies

a) Share-based compensation.

IFRS 2 is effective for the Company as of July 1, 2010 and is applicable to share options that are not vested at that date. The Transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Share options and other share-based payments prior to November 7, 2002 are not taken into account under IFRS 2;
- Share options subsequent to November 7, 2002 are only taken into account if they have not vested as at July 1, 2010;
- No share-based payment expense is recognized for the share options and other share-based payments subsequent to November 2, 2002 that have vested before July 1, 2010. The cost that was previously recognized under Canadian GAAP for those transactions has been transferred to retained earnings (deficit).
- From July 1, 2010, all share options and other share-based payments will be expensed in accordance with the policy stated in Note 2.

Recognition of expense

Canadian GAAP – For share option awards and other share-based payments with graded vesting, the total fair value of the award is recognized on a straight-line basis over the period necessary to vest the award.

IFRS – Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As the Company's share option awards vest over seven quarters, this change in policy results in an acceleration of the recognition of the total fair value of the award.

Forfeitures

Canadian GAAP – Forfeitures of share option awards are recognized as they occur

19. TRANSITION TO IFRS - continued

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. The forfeiture rate was estimated at 0% for the following transactions as management's review had indicated that there were an insignificant number of share options or other share-based payments forfeited since its incorporation:

- Share options and other share-based payments subsequent to November 7, 2002 that had not vested as at January 1, 2010; and
- Share options and other share-based payments granted during the year ended June 30, 2011.

Expired unexercised share options

On transition to IFRS, the Company has elected to change its policy for the treatment of amounts recorded in share-based reserve which relate to vested share options which expire unexercised. Under IFRS, amounts recorded for expired unexercised vested share options will be transferred to deficit on the date of expiry. Previously the Company's Canadian GAAP policy was to leave such amounts in Contributed Surplus.

TERRABIOGEN TECHNOLOGIES INC.
(Formerly International Bio Recovery Corporation)

MANAGEMENT DISCUSSION & ANALYSIS

For the three months ended September 30, 2011

TERRABIOGEN TECHNOLOGIES INC.
(formerly International Bio Recovery Corporation)
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011

Background

This discussion and analysis of financial position and results of operations is prepared as at December 9, 2011. The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements of TerraBioGen Technologies Inc. (the "Company") for the three months ended September 30, 2011 and related notes thereof which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") The Company's 2011 comparatives in this MD&A have been presented in accordance with IFRS. As the Company's IFRS transition date was July 1, 2010, 2010 comparative information included in this MD&A has not been restated. Except as otherwise disclosed, all dollar figures included therein and the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or the Company's website at www.terrabiogen.com.

Description of the Business

TerraBioGen Technologies Inc. was incorporated in British Columbia, Canada, on August 17, 1993 and is a public company traded on the TSX Venture Exchange. On January 21, 2011, the Company changed its name from International Bio Recovery Corporation.

The Company has developed an environmental technology which produces innovative, high value, environmentally progressive agricultural products that improve crop yields and suppress crop disease made from organic material including food waste, manures and surplus organics from food production.

TerraBioGen has an operating 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 crop research and market development.

For the 16 months up to June 2011, the Company was modifying and bringing the current facility in North Vancouver up to operating efficiencies through capital additions and refurbishments, in order to prove concepts for next generation plants, to produce sufficient product to complete field trials and to develop a market for the Company's products.

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. Through collaborations with some of the leading agricultural institutes in North America and funding from the Canadian government's National Research Program, TerraBioGen is gaining an understanding of the active ingredients in its products that are responsible for the improved crop yields and suppression of disease. Further, the Company is taking steps to secure intellectual property rights to these active ingredients and fully commercialize their potential.

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.

TERRABIOGEN TECHNOLOGIES INC.
(Formerly International Bio Recovery Corporation)
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011

Overall Performance

The Company is a development company with minimal revenues to date from its activities.

The following selected financial information is derived from the unaudited condensed interim financial statements of the Company. The financial statements prior to July 1, 2010 were prepared in accordance with Canadian GAAP; as of July 1, 2010, the financial statements have been prepared in accordance with IFRS.

Quarterly Financial Results

	3 months 2012	Year ended June 30, 2011				Year ended June 30, 2010		
	IFRS	Prepared under IFRS				Prepared under Canadian GAAP		
	July-Sept/11	Apr-Jun/11	Jan-Mar/11	Oct–Dec/10	July-Sept/10	Apr-Jun/10	Jan-Mar/10	Oct–Dec/09
	Q1 2012	**Q4 2011**	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q2 2010**
Revenue								
Equipment & product sales	$ -	$ -	$ -	$ -	$ -	$ 5,316	$ -	$ 1,020
Royalties	-	-	-	-	-	-	-	-
Interest & other income	723	2,586	4,425	1,295	1,129	892	249	103
Total Revenues	723	2,586	4,425	1,295	1,129	6,208	249	1,123
Expenses	500,003	559,608	581,712	527,060	822,780	694,623	389,280	474,333
Recovery of income taxes	-	-	-	-	-	4,893	-	-
Other expenses	-	(60,000)	-	-	-	-	-	-
Gain on settlement of liabilities	-	-	-	160,574	-	-	-	-
Impairment of property and equipment	-	-	-	-	-	(276,924)	-	-
Net Income (Loss)	(499,280)	(617,022)	(577,287)	(365,191)	(821,651)	(960,446)	(389,031)	(473,210)
Net Income (Loss) per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
	Sept. 30/11	**June 30/11**	**Mar. 31/11**	**Dec. 31/10**	**Sep. 30/10**	**June 30/10**	**Mar. 31/10**	**Dec. 31/09**
Total Assets	672,475	815,914	904,178	1,367,190	929,712	1,534,036	2,434,307	2,825,134
Long Term Liabilities	91,029	95,196	99,353	103,530	26,466	30,633	2,117	3,244

(1) As the Company's IFRS transition date was July 1, 2010, comparative information for the year ended June 30, 2010 has not been restated and is presented in accordance with Canadian GAAP.

Comparison of the three months ended September 30, 2011 to the three months ended September 30, 2010

In preparing the interim financial statements for the three months ended September 30, 2011, management has amended certain accounting and valuation methods previously applied in the Canadian GAAP financial statements to comply with IFRS.

During the three months ended September 30, 2011, the Company recorded other income of $723 compared to other income of $1,129 in the year earlier.

Total expenses during the current quarter were $500,003 compared to $822,780 in the same period last year, a decrease of $322,777; most of this decrease was in administration costs and plant costs. Administration costs decreased by $162,114 from the previous year primarily due to a decrease of $118,615 in stock based compensation costs resulting from the grant of 6,325,000 stock options during 2011, and a decrease of $35,592 in wages and benefits as Henry was on full salary until the end September 2010.

Plant and operations costs decreased by $206,560 primarily due to decreases of $52,392 in wages and benefits due to lower staffing levels and a decrease of $148,305 in repair and maintenance costs as the major refurbishments in the plant have been completed by June 2011.

Research and development costs increased by $44,982 primarily due to an increase in wages of $16,700 resulting from higher staffing, an increase in contractor costs of $13,140, and increase in other expenses made up primarily of supplies of $13,608. Sales and marketing costs decreased by $33,471 primarily due to the retirement of the Director of Marketing in October 2010.

Commencing from July 1, 2011, the Company has changed its amortization policy with regards to its plant and equipment. The Company is required to vacate the current premises by May 2013 which requires that the equipment be dismantled starting in December 2012. Accordingly, plant and equipment is being amortized on a straight –line basis over the 18 month period to December 2012. This adjustment results in an increase of $71,741 in amortization costs compared to the previous year.

During the year ended June 30, 2011, the Company paid off $606,360 of loans payable and $160,574 of accrued interest on these loans was waived, resulting in a reduction of total interest costs of $37,355. The resulting net loss for the three months ended September 30, 2011 was $499,280, or $0.01 per share compared to a net loss of $821,651, or $0.01 per share in the same period last year.

Financial Condition

At September 30, 2011, the Company had total liabilities of $1,003,418, a decrease of $108,375 from June 30, 2011 and a decrease of $1,204,835 from June 30, 2010, and this has been further reduced in November 2011 due to the conversion of $430,000 of amounts payable into shares. The working capital position was a deficiency of $878,986 compared to a deficiency of $942,258 at June 30, 2011.

To date, the Company has not generated sales sufficient to cover its operating expenses primarily because the Company has insufficient production capacity at its current demonstration plant, and all fertilizer material output has been used for product development and testing. The Company is dependent on cash from new financing activities or sales of licenses for its technology in order to meet its obligations. Until the Company generates significant sales, it will be relying on new financing or license sales and any difficulty in raising new funds from these activities will have a significant impact on the Company's ability to operate. In October 2011, the Company announced the sale of a Master License Agreement for the Middle East and expects receipt of $1,250,000 representing one-half the license fee prior to the end of December 2011. The Company anticipates that it will be able to raise new financing to cover its operating needs, and that it expects to enter into new licensing agreements for its technology during the year ending June 30, 2012.

Share Capital

As at September 30 2011, the Company had 101,764,533 common shares outstanding, 1,378,368 common shares allotted but not issued for interest conversion, and 53,157,941 share purchase warrants were outstanding, exercisable at prices ranging from $0.12 to $0.125 and with expiry dates from June 7, 2012 to December 10, 2012. There were also 6,975,000 stock options outstanding, exercisable at prices ranging from $0.10 to $1.75 and with expiry dates ranging from May 31, 2013 to December 15, 2015. In November 2011, the Company issued 5,175,000 common shares and 3,875,000 share purchase warrants, exercisable at $0.15 until June 30, 2013, to settle $430,000 of amounts payable.

In November 2010, the Company completed a private placement of 14,285,714 units at $0.07 for proceeds of $1,000,000. The units consisted of one share and one warrant exercisable at $0.12 for two years.

In December 2010, the Company completed a series of transactions, as follows:

a) a non-brokered private placement of 11,024,728 units at a price of $0.055 per unit for proceeds of $606,360. Each unit consisted of one common share and one warrant exercisable at $0.12 in the first two years and $0.15 in the third year. The proceeds from this private placement were used to pay out $606,360 of notes payable.

b) $350,000 of notes payable were converted into 5,000,000 units at a price of $0.07 per unit. Each unit consisted of one common share and one warrant exercisable at $0.12 for a period of two years. Accrued interest of $81,231 on this note payable was converted into a term loan with interest at 4% per annum and repayable on October 31, 2013.

c) a shares for debt agreement on accrued interest of $96,486 with payment to be made in shares at $0.07 per share on the earlier of demand and October 31, 2012. These common shares were recorded as allotted shares not yet issued.

In May 2011, the Company announced a non-brokered private placement of 10,000,000 units at a price of $0.10 per share for gross proceeds of $1,000,000, and in October 2011, the Company increased this to 15,000,000 units. Each unit consists of one common share and one-half warrant; each full warrant may be used to purchase shares at $0.15 for eighteen months. On December 2, 2011, the Company announced that it was doing a partial close on $1 million of this placement.

Business Development

Over the last year, the Company has focused on 4 major areas:

a) Research and development. The R&D department has grown to 3 full time staff and 1 - 2 students as the Company conducts intensive research to identify and characterize the active ingredients in its products. In April 2011, the Company filed a patent application for its F4 plant growth promoter as an initial step. In addition to its research identifying the active ingredients in its products, the Company is investing in product formulations to best deliver these ingredients to its target crops.

b) Plant modifications and refurbishment. The Company has made significant modifications to its North Vancouver plant in order to have sufficient product to complete field trials and to develop the market for the company's products. A process review undertaken by Quadrogen Power Systems, Inc., an applied process engineering company, to reduce costs and maximize efficiencies in the plant was completed in the spring of 2011. The results of the study indicate a significant reduction in the capital cost of a plant and a similar reduction in the operating costs. The effect of these reductions is a much faster payback period and an improved rate of return, increasing the market for potential investors in the Company's plant operations or as third party licensees.

c) Growing trials and market analysis. Strategic partnerships have been established with several research universities and other parties to develop product formulations and to prove performance in field trials. This information will be used to benchmark and position TerraBioGen's products for success in the marketplace. In December 2011, the Company announced the results of growing trials in Ontario with up to a 35% yield increase in tomatoes and a 29% yield increase in potatoes over the grower's standard through the use of the Company's product.

d) Branding. The Company changed its name to TerraBioGen Technologies Inc. which speaks to the Company's focus on biotechnology based, agricultural market-driven process and product development and sales.

In October 2011, the Company entered into a Master License Agreement ("MLA") for the Middle East. Under the terms of the MLA, the licensee is required to pay a license fee of $1,250,000 by November 21, 2011 and an additional $1,250,000 upon completion of a 100 tonne per day plant, expected to occur in 2013. The Company will be entitled to upfront fees and royalties from the operation of this plant and any additional plants.

Transactions with Related Parties

During the three months ended September 30, 2011, the Company paid fees of $7,500 for accounting and financial services to a company controlled by an officer. In addition, directors receive a fee of $200 for each meeting or committee meeting attended; directors' fees of $800 were expensed during the three months, no payments were paid to directors, and $7,600 of the fees and expenses were due to directors at September 30, 2011.

Lease Agreement on North Vancouver office and plant

In 1996, the Company entered into a 25 year lease for its North Vancouver demonstration plant. During the year ended June 30, 2010, the Company and its landlord amended the lease agreement. The amended lease agreement now expires May 3, 2013 and contains provisions that allow the landlord to use a portion of the property at their option; in consideration of the amendment, the landlord forgave $50,000 of rental payments due which the Company is amortizing over the remaining term of the lease. As at September 30, 2011, $26,465 of the forgiven rent remains to be amortized.

The Company is in the process of developing a transition plan to a new facility and is looking at various options for a new location in the Greater Vancouver region. In consideration of the time to dismantle the plant and equipment at the facility, the Company is amortizing the full net book value of the plant and equipment on a straight-line basis over 18 months to December 2012. The attached office building is being amortized on a straight-line basis to April 2013.

Additional Information

Additional information about TerraBioGen Technologies Inc. can be found on SEDAR at www.sedar.com or on the Company's website at www.TerraBioGen.com.

BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has prepared its first unaudited condensed interim financial statements for part of the period covered by the Company's first IFRS annual consolidated financial statements. IFRS presents standards and interpretations approved by the International Accounting Standards Board ("IASB"), and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs"). The Company's unaudited condensed interim financial statements as at and for the three months ended September 30, 2011 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and on the basis of IFRS standards and interpretations expected to be effective or available for early adoption as at the Company's first IFRS annual reporting date, June 30, 2012, with significant accounting policies as described in note 2 of the Company's unaudited condensed interim financial statements as at and for the three months ended September 30, 2011.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are continuously assessed by management. The estimates and assumptions are based on historical experience and other factors, including realistic assessment of future developments. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next fiscal year are discussed below:

- The realizable value of plant and equipment assets; and
- The assumptions used in determining the fair values of non-cash share-based compensation

New standards and interpretations not yet adopted

The following new standard and amendment to a standard have been issued but are not effective by the financial year beginning on July 1, 2011 and have not been early adopted:

- In October 2010, the IASB issued IFRS 9 – Financial Instruments. IFRS 9 is the first step in the process to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The adoption of this standard will not have a significant impact on the amounts and disclosures relation to financial assets and liabilities. This amendment is effective for annual periods beginning on or after January 1, 2013.

- In May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- In May 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

Transition to IFRS

On January 1, 2011, the Canadian Accounting Standards Board replaced Canadian GAAP with IFRS for publicly accountable enterprises, with a transition date for the Company of July 1, 2010. IFRS represents standards and interpretations approved by IASB and are comprised of IFRSs, IASs, and interpretations issued by the IFRICs or the former SICs.

The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's first IFRS annual financial statements for the year ending June 30, 2012 may differ from the significant accounting policies used in preparation of the Company's unaudited condensed interim financial statements as and for the three months ended September 30, 2011. As of the date of this document, the Company does not expect any of the IFRS standard developments to have a significant impact on its 2011 consolidated financial statements. The Company's unaudited condensed interim financial statements as and for the three months ended September 30, 2011 have been prepared in accordance with existing IFRS standards with restatements of comparative balance sheets as at June 30, 2011 and June 30, 2010 and statements of earnings and comprehensive income for the three months ended September 30, 2010 as previously reported and prepared in accordance with Canadian GAAP.

RECONCILIATION OF ASSETS, LIABILITIES AND EQUITY

		As at July 1, 2010			As at September 30, 2010			As at June 30, 2011		
	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS										
Current assets										
Cash		$ 635,897		$ 635,897	$ 44,548		$ 44,548	$ 8,702		$ 4,596,565
Amounts receivable		41,015		41,015	49,859		49,859	38,429		37,803
Prepaid expenses		28,664		28,664	14,040		14,040	27,208		65,659
		705,666		705,666	108,447		108,447	74,339		4,700,027
Property and equipment		750,483		750,483	743,378		743,378	724,788		47,978
Long-term assets		77,787		77,787	77,887		77,887	16,787		12,020,083
		$ 1,534,036		$ 1,534,036	$ 929,712		$ 929,712	$ 815,914		$ 16,787,307
LIABILITIES										
Current liabilities										
Accounts payable and accrued liabilities		$ 658,642		$ 658,642	$ 742,797		$ 742,797	$ 469,930		$ 469,930
Current capital lease obligations		15,951		15,951	3,791		3,791	-		-
Current deferred rent		16,667		16,667	16,667		16,667	16,667		16,667
Customer deposits		100,000		100,000	100,000		100,000	100,000		100,000
Loans payable		1,386,360		1,386,360	1,386,360		1,386,360	430,000		430,000
		2,177,620		2,177,620	2,249,615		2,249,615	1,016,597		1,016,597
Term loan		-		-	-		-	81,231		81,231
Deferred rent		30,633		30,633	26,466		26,466	13,965		13,965
		2,208,253		2,208,253	2,276,081		2,276,081	1,111,793		1,111,793
SHAREHOLDERS' EQUITY										
Common shares		29,644,135		29,644,135	29,644,135		29,644,135	32,036,960		32,036,960
Share-based payment reserve	a)	1,297,201	(1,052,607)	244,594	1,429,145	(1,035,052)	394,093	1,654,044	(1,042,786)	611,258
Deficit		(31,615,553)	1,052,607	(30,562,946)	(32,419,649)	1,035,052	(31,384,597)	(33,986,883)	1,042,786	(32,944,097)
		(674,217)		(674,217)	(1,346,369)		(1,346,369)	(295,879		(295,879)
		$ 1,534,036		$ 1,534,036	$ 929,712		$ 929,712	$ 815,914		$ 815,914

TRANSITION TO IFRS

RECONCILIATION OF COMPREHENSIVE LOSS

		Three months ended September 30, 2010			Year ended June 30, 2011		
	Note	Canadian GAAP	Effect of Transition To IFRS	IFRS	Canadian GAAP	Effect of Transition To IFRS	IFRS
		$	$	$	$	$	$
Share-based compensation	a)	131,944	17,555	149,499	356,844	9,821	366,665
Other administration		143,678		143,678	564,336		564,336
Plant and operations		371,693		371,693	1,082,669		1,082,669
Amortization		30,762		30,762	141,842		141,842
Research and development		37,076		37,076	161,013		161,013
Sales and marketing		50,651		50,651	115,724		115,724
Short term interest		39,236		39,236	56,560		56,560
Long term interest		185		185	2,351		2,351
Loss from operations		(805,225)		(820,522)	(2,471,904)		(2,481,725)
Gain on settlement of liabilities		-		-	160,574		160,574
Other expense		-		-	(60,000)		(60,000)
Interest income		1,129		1,129	9,084		9,084
Loss and Comprehensive loss		$ (804,096)	$ (17,555)	$ (821,651)	$ (2,371,330)	$ (9,821)	$ (2,381,151)

Changes in accounting policies

a) Share-based compensation.

IFRS 2 is effective for the Company as of July 1, 2010 and is applicable to share options that are not vested at that date. The Transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Share options and other share-based payments prior to November 7, 2002 are not taken into account under IFRS 2;
- Share options subsequent to November 7, 2002 are only taken into account if they have not vested as at July 1, 2010;
- No share-based payment expense is recognized for the share options and other share-based payments subsequent to November 2, 2002 that have vested before July 1, 2010. The cost that was previously recognized under Canadian GAAP for those transactions has been transferred to retained earnings (deficit).
- From July 1, 2010, all share options and other share-based payments will be expensed in accordance with the policy stated in Note 2.

Recognition of expense

Canadian GAAP – For share option awards and other share-based payments with graded vesting, the total fair value of the award is recognized on a straight-line basis over the period necessary to vest the award.

IFRS – Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As the Company's share option awards vest over seven quarters, this change in policy results in an acceleration of the recognition of the total fair value of the award.

Forfeitures

Canadian GAAP – Forfeitures of share option awards are recognized as they occur

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. The forfeiture rate was estimated at 0% for the following transactions as management's review had indicated that there were an insignificant number of share options or other share-based payments forfeited since its incorporation:

- Share options and other share-based payments subsequent to November 7, 2002 that had not vested as at January 1, 2010; and
- Share options and other share-based payments granted during the year ended December 31, 2010.

Expired unexercised share options

On transition to IFRS, the Company has elected to change its policy for the treatment of amounts recorded in share-based reserve which relate to vested share options which expire unexercised. Under IFRS, amounts recorded for expired unexercised vested share options will be transferred to deficit on the date of expiry. Previously the Company's Canadian GAAP policy was to leave such amounts in Contributed Surplus.