

IBC ADVANCED ALLOYS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
Expressed in United States Dollars

JUNE 30, 2010



Tel: 604 688 5421
Fax: 604 688 5132
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

AUDITORS' REPORT

To the Shareholders of IBC Advanced Alloys Corporation

We have audited the consolidated balance sheets of IBC Advanced Alloys Corporation as at June 30, 2010 and 2009 and the consolidated statement of operations and comprehensive loss, cash flows and shareholders' equity for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO CANADA LLP"

Chartered Accountants

Vancouver, British Columbia
October 28, 2010

IBC ADVANCED ALLOYS CORP.**Consolidated Statements of Operations and Comprehensive Loss**

(US dollars in thousands, except for share and per share amounts)

For the Year Ended June 30

	Note	2010	2009
Sales		\$ 14,932	\$ 11,617
Cost of goods sold	8	12,828	11,363
Gross profit		2,104	254
Selling, general and administrative expenses			
Amortization	8	354	479
Consulting fees	22	182	141
Director fees	22	64	37
Doubtful debts		6	59
Inventory write-off		-	332
Investor relations		149	18
Management and contractor fees	22	649	340
Office and miscellaneous	22	608	498
Professional fees		484	297
Public company costs		133	105
Research		299	255
Salaries and wages		1,511	1,287
Stock-based compensation	18	279	718
Travel, meals and entertainment		339	226
		5,057	4,792
Loss before other items		(2,953)	(4,538)
Other income (expense)			
Foreign exchange loss		(15)	(1,000)
Mineral property write-off	10	(718)	(191)
Other assets write-off		(75)	-
Goodwill impairment	12	-	(9,640)
Interest expense			
- On debt with an initial term of less than one year	13, 16	(300)	(134)
- On debt with an initial term of more than one year	15	(459)	(316)
(Loss) gain on financial instruments held for trading		9	(63)
Interest income		6	72
Other income		68	31
Loss before income taxes		(4,437)	(15,779)
Income tax (expense) recovery			
Current	21	(161)	562
Future	21	481	586
		320	1,148
Loss and comprehensive loss for the year		\$ (4,117)	\$ (14,631)
Basic and diluted loss per common share		\$ (0.03)	\$ (0.14)
Weighted average number of common shares outstanding		132,222,776	107,914,230

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

IBC ADVANCED ALLOYS CORP.
Consolidated Statements of Cash Flows
(US dollars in thousands)
For the Year Ended June 30

	Note	2010	2009
Cash flows from (used in) operating activities			
Loss for the year		\$ (4,117)	\$ (14,631)
Items not involving cash			
Future income taxes	21	(455)	(586)
Stock-based compensation	18	279	718
Mineral property write-off	10	718	191
Other asset write-off		75	-
Impairment of goodwill		-	9,640
Doubtful debts expense		6	59
Inventory write-down		-	332
Amortization	8	1,425	1,006
Loss on financial liabilities held for trading		(9)	-
Interest paid through the issuance of shares	16	9	-
Unrealized foreign exchange gain (loss)		15	1,000
Accretion expense on convertible note		146	-
Changes in non-cash working capital items:			
Receivables		(1,565)	1,181
Income tax receivable		635	-
Inventories		(311)	2,465
Prepaid expenses		(35)	15
Accounts payable and accrued liabilities		1,877	(1,344)
Unearned revenue		115	-
Income taxes payable or refundable		46	(559)
Other current assets		-	75
Net cash used in operating activities		(1,146)	(438)
Cash flows from financing activities			
Issuance of shares, net of issue costs	17	9,103	975
Loan repayments	15	(205)	-
Convertible note proceeds	16	238	-
Line of credit proceeds	13	230	-
Repayment of line of credit	13	(608)	(638)
Related party transactions		-	1,672
Net cash provided by (used in) financing activities		8,758	2,009
Cash flows used in investing activities			
Deposit		(51)	-
Investment in mineral properties	10	(362)	(334)
Investment in intangibles	11	(51)	-
Purchase of plant and equipment	8	(187)	(312)
Purchase of subsidiaries, net of cash acquired	9	(2,250)	(6,006)
Repayment of advances from shareholder		-	485
Net cash used in investing activities		(2,901)	(6,167)
Foreign exchange effect on cash		(24)	(929)
Change in cash and cash equivalents during the year		4,687	(5,525)
Cash and cash equivalents, beginning of year		841	6,366
Cash and cash equivalents, end of year		\$ 5,528	\$ 841

Supplementary cash flow information (note 24)

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

IBC ADVANCED ALLOYS CORP.
Consolidated Statements of Shareholders' Equity
(US dollars in thousands, except for share amounts)

	Note	Number of Shares	Common Shares	Equity Component of Convertible Debt	Contributed Surplus	Brokers' Warrants	Deficit	Total Shareholders' Equity
At June 30, 2008		104,376,148	\$ 18,192	\$ -	\$ 2,943	\$ 498	\$ (3,692)	\$ 17,941
Broker warrants expired		-	-	-	70	(70)	-	-
Issued on purchase of Nonferrous	9	3,000,000	541	-	-	-	-	541
Private placement		8,333,332	1,029	-	-	-	-	1,029
Share issue costs		-	(108)	-	-	55	-	(53)
Loss on purchase of Specialloy	9	-	-	-	(269)	-	-	(269)
Stock-based compensation		-	-	-	718	-	-	718
Loss for the year		-	-	-	-	-	(14,631)	(14,631)
At June 30, 2009		115,709,480	19,654	-	3,462	483	(18,323)	5,276
Acquisition of Beralcast [®] Corporation	9	13,261,176	2,519	-	-	-	-	2,519
Broker warrants expired	19	-	-	-	428	(428)	-	-
Fair value of conversion rights	16	-	-	126	-	-	-	126
Conversion of convertible note	16	1,845,811	384	(126)	-	-	-	258
Issuance of shares for cash	17	60,882,354	10,161	-	-	-	-	10,161
Share issue costs	17, 19	-	(1,526)	-	-	468	-	(1,058)
Stock-based compensation	18	-	-	-	279	-	-	279
Loss for the period		-	-	-	-	-	(4,117)	(4,117)
At June 30, 2010		191,698,821	\$ 31,192	\$ -	\$ 4,169	\$ 523	\$ (22,440)	\$ 13,444

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

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

(US dollars in thousands, except for share and per share amounts)

Years ended June 30, 2010 and 2009

1. Organization and Basis of Presentation

Consolidation

These audited consolidated financial statements include the accounts of IBC Advanced Alloys Corp. ("IBC"), and its subsidiaries. IBC and its subsidiaries are collectively referred to as the "Company". All intercompany transactions and accounts have been eliminated upon consolidation. Except where indicated all amounts are expressed in United States dollars. The principal subsidiaries of the Company, all of which are wholly-owned, at June 30, 2010 are listed below:

Entity	Location	Principal Activity
IBC US Holdings, Inc.	United States	Holding company
Freedom Alloys, Inc. ("Freedom")	United States	Manufacturing
Nonferrous Products, Inc. ("Nonferrous")	United States	Manufacturing
NF Industries, Inc.	United States	Holding company
Specialloy Copper Alloys LLC ("Specialloy")	United States	Manufacturing
Beralcast [®] Corporation	United States	Manufacturing
Rare Earths Limited, LLC ("REL")	United States	Mineral exploration
Mineração Berilo do Brasil Ltda.*	Brazil	Exploration

* 30% interest is held in trust for the Company

The audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP").

Nature of Operations and Ability to Continue as a Going Concern

The Company's principal activity is the production of specialty alloy products, but it also sources and explores beryllium resource properties. The Company's mineral property activities are in the exploration stage and it has interests in resource properties in the United States.

In March 2010, the Company acquired, through its subsidiary IBC US Holdings, Inc. ("IBC US") the issued and outstanding shares of Beralcast[®] Corporation, a private specialty alloy manufacturing business that owns proprietary and patented technology for a castable beryllium aluminum alloy that is currently used in a wide variety of aerospace and advanced technology applications (note 9).

The recoverability of amounts shown for resource properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying resource claims, the ability of the Company to obtain necessary financing to complete its development and upon future profitable production or proceeds from its disposition.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

(US dollars in thousands, except for share and per share amounts)

Years ended June 30, 2010 and 2009

1. Organization and Basis of Presentation (continued)

At June 30, 2010, the Company had not yet achieved profitable operations, had accumulated losses of \$22,440 since inception and expects to incur further losses in the development of its business, all of which casts doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate profits from its operations to obtain financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

The Company's consolidated financial statements have been prepared in accordance with Canadian GAAP. The Company's significant accounting policies are as follows:

Basis of consolidation

The consolidated accounts include the accounts of IBC and its subsidiaries made up to June 30 each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated results of operations from or to the date of their acquisition or disposal, as appropriate. All significant intercompany transactions and balances are eliminated on consolidation.

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities at the date of the financial statements, as well as the expenses incurred during the year. Actual results could differ from those estimated.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, recoverability of receivables, estimated net realizable value of inventories, accounting for stock-based compensation, expected economic lives of and the estimated future operating results and net cash flows from mineral properties, plant and equipment, intangible assets, goodwill impairment and valuation allowances applied against future tax assets, and the fair value of assets and liabilities acquired in business combinations.

Valuation of the mineral properties, intangible assets, goodwill and property and plant and equipment (long-lived assets) is based on management's best estimate of the future recoverability of these assets, which in turn, is based on estimates of future operating profits, mineral prices, reserves, mineral reserves and future operating costs. These estimates affect the carrying value of long-lived assets and the amortization of intangible assets and plant and equipment. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements from changes in such estimates in future periods could be significant.

Inventories

Inventories are recorded at the lower of cost and net realizable value. For work in progress, cost includes all direct costs incurred in production including direct labour and materials, freight, amortization and directly attributable overhead costs. For raw materials, cost includes acquisition, freight and other directly attributable costs.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

(US dollars in thousands, except for share and per share amounts)

Years ended June 30, 2010 and 2009

2. Significant Accounting Policies (continued)

Cash and cash equivalents

For purposes of reporting cash flows, the Company includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all short-term highly liquid investments with an original maturity to the holder of three months or less as cash and cash equivalents on the accompanying balance sheet.

Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of all outstanding amounts. Management determines the allowance for doubtful accounts based on current and historical experience of uncollectible accounts charged off. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At June 30, 2010, the allowance for doubtful accounts was \$75 (2009 - \$59).

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. With respect to internally developed equipment, recorded historical costs include materials, direct labour, and direct labour-related costs. Amortization is calculated over the estimated useful life of the asset at the commencement of operations using the straight-line method over the following estimated useful lives:

	Years
Machinery and equipment	7-25
Office furniture and equipment	5-7
Vehicles	5
Leasehold improvements	39

Mineral properties

The Company accounts for resource property costs in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3061, "Property, plant and equipment" ("CICA 3061"), and abstract EIC-174, "Mining Exploration Costs" ("EIC-174") of the Emerging Issues Committee. CICA 3061 provides for the capitalization of the acquisition and exploration costs of a resource property where such costs are considered to have the characteristics of property, plant and equipment. EIC-174 provides that a mining enterprise is not precluded from considering exploration costs to have the characteristics of property, plant and equipment when it has not established resource reserves objectively and therefore does not have a basis for preparing a projection of the estimated future net cash flow from the property.

The acquisition costs of mineral properties and all direct exploration and development expenditures are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following the commencement of production or written-off if the properties are sold, allowed to lapse, or abandoned.

Cost includes the cash consideration and the fair market value of shares as they are issued, if any, on the acquisition of mineral properties. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The recorded amounts of mineral claim acquisition costs and their related deferred exploration and development costs represent actual expenditures incurred and are not intended to reflect present or future values.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

(US dollars in thousands, except for share and per share amounts)

Years ended June 30, 2010 and 2009

2. Significant Accounting Policies (continued)

CICA 3061 also provides that property, plant and equipment be written down when the long-term expectation is that the net carrying amount will not be recovered. EIC-174 states that a mining enterprise which has not objectively established resource reserves and therefore does not have a basis for preparing a projection of the estimated future cash flow from a property is not obliged to conclude that the capitalized costs have been impaired. However, EIC-174 references certain conditions that should be considered in determining subsequent write-downs, such as changes or abandonment of a work program or poor exploration results, and management reviews such conditions to determine whether a write-down of capitalized costs is required. When the carrying value of a property exceeds its net recoverable amount, provision is made for the impairment in value.

The Company reviews capitalized costs on its mineral properties when there is indication of impairment and will recognize impairment in value based upon exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Accounting standards subsequently issued by the CICA dealing with intangible assets (CICA 1582 and CICA 3064) include reference to "use rights such as drilling, water, air, mineral, timber cutting, and route authorities" as examples of intangible assets. CICA 3064 also states, among other things, that intangible assets should be amortized over their useful life and tested for impairment. Management has reviewed this potential reporting conflict with the previously issued standards and is of the opinion that it is appropriately accounting for its resource properties as having the characteristics of property, plant and equipment.

Translation of foreign currencies

The Company has a subsidiary that maintains its accounts in Brazilian real. The accounts of the Company's subsidiaries, all of which are considered to be integrated foreign operations, are translated into United States dollars using the temporal method. Under this method, monetary assets and liabilities are translated at year-end exchange rates. Non-monetary assets and liabilities are translated using historical rates of exchange. Revenues and expenses are translated at exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses on translation are included in operating results.

Stock-based compensation

Stock options and direct awards of stock granted to employees and non-employees are recorded at fair value on the measurement date and the associated expense is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to common share capital.

Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the vesting period of the award, using graded vesting, and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date unless there is a specific contractual term.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

(US dollars in thousands, except for share and per share amounts)

Years ended June 30, 2010 and 2009

2. Significant Accounting Policies (continued)

Compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period. Compensation cost attributable to awards to employees that call for settlement in cash or other assets is measured at fair value and recognized over the vesting period. Changes in fair value between the grant date and the measurement date result in a change in the measure of compensation cost. Compensation cost is generally recognized on a straight-line basis over the vesting period.

Revenue recognition

The Company recognizes revenue from the sale of metals and alloy products when shipped, title has passed to the customer and collection is reasonably assured. Revenues for fiscal 2010 and 2009 consisted primarily of alloy products.

Unearned revenue

Unearned revenue from customer supply contracts, paid upfront are accounted for as revenue when the goods are delivered.

Asset retirement obligations

The Company recognizes a liability for an asset retirement obligation when a reasonable estimate of fair value can be made and calculates the liability based upon discounted future payments to be made. A corresponding amount is added to the carrying amount of the related long-lived asset, and this amount is subsequently allocated to expense over its expected life. The obligations recognized are statutory, contractual, or legal obligations. Adjustment will also be made in subsequent periods to changes in asset retirement obligations due to changes in estimates.

The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and asset retirement obligations. Accordingly, adoption of CICA Handbook Section 3110 had no impact on the consolidated financial statements. The Company does not have any asset retirement obligations as at June 30, 2010 or 2009.

Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recorded in net income. Available-for-sale financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Equity instruments that do not have a quoted market price in an active market are carried at cost. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed.

Derivatives are carried as financial assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives, except those that qualify as cash flow hedges, are taken to the income statement. The Company does not have any designated hedging relationships at the balance sheet date (2009 - none).

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

(US dollars in thousands, except for share and per share amounts)

Years ended June 30, 2010 and 2009

2. Significant Accounting Policies (continued)

Income taxes

The Company accounts for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net assets are recognized.

Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred.

For the years ended June 30, 2010 and 2009, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 58,557,487 common shares (2009 - 34,797,832) were not included in the computation of loss per share because their effect was anti-dilutive.

Goodwill and intangible assets

Goodwill is the excess of the purchase consideration over the fair value of the Company's share of the attributable net identifiable assets at the date of acquisition in a business combination. Goodwill is not amortized but is assessed annually for impairment through a comparison of the fair value and the carrying value of a reporting unit to which the goodwill is allocated. Fair value of a reporting unit is estimated using an income approach. If the carrying value exceeds fair value there is an impairment of goodwill. Any impairment in goodwill is measured by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The notional goodwill from the purchase price allocation is then compared to the carrying value of goodwill. During the year ended June 30, 2009, the Company recorded an impairment for the full amount of goodwill previously recorded. The Company's goodwill balance at June 30, 2010 relates to the Beralcast[®] Corporation acquisition (note 9 and 12). No impairment was warranted at June 30, 2010.

Intangible assets represent the value of certain identifiable intangible assets at the date of acquisition of subsidiaries. Intangible assets are amortized on a straight-line basis over their useful lives, which are estimated to be between five and 15 years with definite lives. Intangible assets are assessed for impairment annually. Amortization and impairment are charged to operations.

Accounting pronouncements implemented July 1, 2009

Goodwill and intangible assets

Section 3064, "Goodwill and Intangible Assets", replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Various changes have been made to other sections of the Canadian Institute of Chartered Accountants ("CICA") Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new Section was adopted effective July 1, 2009. Adoption of this standard did not have a material impact on these financial statements.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

(US dollars in thousands, except for share and per share amounts)

Years ended June 30, 2010 and 2009

3. Adoption of New Accounting Pronouncements and Recent Developments

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes standards for the accounting for a business combination and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "Business Combinations" (January 2008).

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements" (January 2008). The Company does not have any investments with a non-controlling interest. The Company elected to adopt the requirements of these standards prospectively from July 1, 2009.

General accounting

CICA Handbook Section 1000 has been amended to focus on the capitalization of costs that meet the definition of an asset and de-emphasizes the matching principle. The revised requirements have been adopted effective for annual and interim financial statements from July 1, 2009. The adoption of this standard did not have a material impact on these financial statements.

Financial instruments

CICA Handbook Section 3862, "Financial Instruments – Disclosures" was amended in June 2009. It establishes revised standards for the disclosure of financial instruments. The new standard established a three-tier hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

- Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
- Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

Changes in valuation methods may result in transfers into or out of an investment's assigned level. During the year ended June 30, 2010, there were no significant transfers between level 1 and 2. The required disclosures are included in note 26.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

(US dollars in thousands, except for share and per share amounts)

Years ended June 30, 2010 and 2009

4. Capital Management

The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the manufacturing operations of the Company and to maintain corporate and administrative functions. The Company defines capital as bank loans, other long-term debt, and equity, consisting of the issued common shares, stock options, warrants and deficit. The capital structure of the Company is managed to provide sufficient funding for manufacturing, mineral exploration and other operating activities. Funds are primarily secured through a combination of equity capital raised by way of private placements and bank debt. There can be no assurances that the Company will be able to continue raising equity capital and bank debt in this manner.

The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, which are all held with major financial institutions.

The Company's bank agreements require that it maintain a minimum net worth and certain ratios indicating debt coverage and debt-to-tangible net worth. In addition, there are limitations on dividends and capital withdrawals. Freedom was in violation of certain covenants during the year ended June 30, 2010 and subsequent to year-end, Freedom's bank demanded repayment of the loans. Accordingly the Company has classified certain loan payable obligations as current liabilities that would otherwise be considered long-term (note 15). At June 30, 2010 and 2009, the Company did not have available-for-sale or held-to maturity financial instruments.

The Company classifies its financial instruments as follows:

Held for trading, measured at fair value	<ul style="list-style-type: none">• Interest rate swaps• Cash and cash equivalents
Loans and accounts receivable, recorded at amortized cost	<ul style="list-style-type: none">• Receivables
Financial liabilities, recorded at amortized cost	<ul style="list-style-type: none">• Lines of credit• Accounts payable and accrued liabilities• Notes payable• Loans payable

There were no changes to the Company's approach to capital management during the year ended June 30, 2010.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

(US dollars in thousands, except for share and per share amounts)

Years ended June 30, 2010 and 2009

5. Cash and Cash Equivalents

	2010	2009
Cash	\$ 4,572	\$ 537
Short-term deposits	956	304
	<u>\$ 5,528</u>	<u>\$ 841</u>

Short-term deposits consist of bank deposits that can be withdrawn on demand.

6. Receivables

Receivables comprise:

	2010	2009
Trade accounts receivable	\$ 3,144	\$ 1,588
Allowance for doubtful accounts	(75)	(59)
Net trade accounts receivable	3,069	1,529
Other receivables	98	201
	<u>\$ 3,167</u>	<u>\$ 1,730</u>

7. Inventories

	June 30, 2010			June 30, 2009
	Cost	Valuation Provision	Net	
Raw materials	\$ 2,023	(95)	1,928	\$ 1,077
Work in process	984	(4)	980	740
Finished goods	956	(29)	927	1,707
	<u>\$ 3,963</u>	<u>(128)</u>	<u>3,835</u>	<u>\$ 3,524</u>

Cost of sales for the year ended June 30, 2010 includes a \$7 (2009 - \$6,880) for lower of cost or valuation write down. At June 30, 2010, inventories of \$3,835 (2009 - \$3,524) were pledged as collateral for bank loans (note 15)

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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Years ended June 30, 2010 and 2009

8. Property, Plant and Equipment

	Land	Machinery and Equipment	Vehicles	Leasehold Improve- ments	Furniture and Fixtures	Total
Cost						
At June 30, 2008	\$ -	\$ 2,201	\$ 62	\$ 61	\$ 61	\$ 2,385
Business acquisitions	426	2,904	11	1,830	25	5,196
Purchases	-	233	-	30	49	312
At June 30, 2009	426	5,338	73	1,921	135	7,893
Business acquisition	-	1,715	-	-	-	1,715
Purchases	-	166	-	16	5	187
At June 30, 2010	426	7,219	73	1,937	140	9,795
Accumulated amortization						
At June 30, 2008	-	817	33	13	37	900
Amortization expense	-	448	18	51	15	532
At June 30, 2009	-	1,265	51	64	52	1,432
Amortization expense	-	655	12	126	36	829
At June 30, 2010	-	1,920	63	190	88	2,261
Net book value						
At June 30, 2009	426	4,073	22	1,857	83	6,461
At June 30, 2010	\$ 426	\$ 5,299	\$ 10	\$ 1,747	\$ 52	\$ 7,534

The cost of internally developed equipment includes materials, direct labour, and direct labour-related costs.

Presentation of the Company's amortization expense, including amortization of intangible assets (note 11), is as follows:

Year ended June 30	2010	2009
Cost of goods sold	\$ 1,071	\$ 527
Selling general and administrative expenses	354	479
Total amortization expense	\$ 1,425	\$ 1,006

At June 30, 2010, the Company had pledged plant and equipment held by Nonferrous and Freedom with a net book value of \$5,260 (2009 - \$6,091) as collateral for bank loans (note 15).

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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9. Acquisition of Subsidiaries

Beralcast® Corporation

In March 2010, the Company, through its wholly owned subsidiary IBC US, acquired all of the outstanding and issued shares of Beralcast® Corporation from two individuals at arm's length. The purchase consideration was \$2,250 in cash and 13,261,176 common shares of IBC with a fair value of \$2,519 for aggregate consideration of \$4,769. Beralcast® Corporation operates a specialty alloy manufacturing business that owns proprietary and patented technology for a castable beryllium aluminum alloy. The primary purpose of the acquisition was to obtain the manufacturing rights and know-how associated with this beryllium aluminum alloy, which is complementary to the Company's other alloy products.

The acquisition-date fair value of the share consideration was at the trading price of \$0.19 (C\$0.19) per share. The Company issued the common shares pursuant to the policies of the Exchange, subject to a hold period of four months and one day from the date on which they are issued. No finder's fee was payable in connection with the acquisition, but the Company incurred acquisition costs of \$15 which were expensed as incurred.

The Company accounted for its investment in Beralcast® Corporation using the purchase method. The Company allocated the purchase price to estimated fair values of the assets acquired and liabilities assumed as follows:

Property, plant and equipment	\$	1,715
Intangible assets		900
Goodwill		2,154
Purchase price	\$	4,769

Goodwill primarily comprises manufacturing processes associated with the production of proprietary alloys.

The allocation of the purchase price is based upon management's preliminary estimates and certain assumptions with respect to fair value associated with the assets acquired and liabilities assumed. The actual fair values of assets and liabilities is determined as of the date of acquisition and may differ materially from the amounts disclosed above because of changes in the Company's understanding of the fair values of the assets and liabilities since the date of acquisition. The allocation of the purchase price may be further revised in future periods.

Since the acquisition date, the Company has recognized \$553 of revenue and a loss of \$91 from the acquired business. The operations of Beralcast® Corporation were previously included in a division of another company and accordingly no historical financial information is available on a standalone basis. Accordingly it is impracticable to provide pro-forma financial information for the Company as if it has acquired Beralcast® Corporation at the beginning of the fiscal year.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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9. Acquisition of Subsidiaries (continued)

Nonferrous Products Inc.

On October 31, 2008, the Company acquired the issued shares of NF Industries, Inc., which, through its subsidiary Nonferrous Products, Inc., manufactures forged copper, beryllium copper and bronze alloys. The Company paid \$9,541 made up of \$6,000 in cash, \$3,000 in vendor debt bearing interest at 8% with a three-year term and 3,000,000 common shares with an acquisition-date value of \$0.18 (C\$0.19) per share (based on a volume-weighted average price in the period either side of the acquisition date). The Company incurred acquisition-related professional fees and other costs of \$82.

The Company accounted for its investment in Nonferrous using the purchase method. The Company allocated the purchase price to estimated fair values of the assets acquired and liabilities assumed as follows:

Current assets	\$	6,035
Property, plant and equipment		5,008
Other assets*		3,025
Goodwill		2,060
Intangible assets		835
Current liabilities		(3,991)
Long term liabilities		(1,615)
Future income tax liability		(1,734)
Purchase price	\$	9,623

* Other assets include loan and note receivables of \$2,950 and a life insurance policy of a former owner for approximately \$67. Subsequent to the acquisition, a note receivable for \$450 from Specialloy was converted to equity as part of the Specialloy acquisition (see below).

At June 30, 2008, the Company had recorded \$25 of deferred acquisition costs and a \$500 non-refundable deposit relating to the purchase of Nonferrous. These amounts have been included in the purchase price above.

Specialloy Copper Alloys LLC

In April 2009, the Company acquired a 100% membership interest in Specialloy, a master and specialty alloy manufacturer and processing company, through its wholly owned subsidiary Nonferrous. IBC paid aggregate cash consideration of \$25. In connection with the membership interest and purchase sale agreement, Nonferrous signed an exchange agreement with Specialloy whereby Specialloy converted \$4500 of debt owed to Nonferrous to equity. The aggregate value ascribed to Specialloy was therefore \$475. The Company incurred transaction costs of \$17 in connection with the purchase. Immediately prior to the purchase, Denis Brady, a director of the Company holding a membership interest in Specialloy, forgave \$99 owed to him by Specialloy.

The Company accounted for its investment in Specialloy using the asset acquisition method. The acquisition is considered a related party transaction due to the vendor of Specialloy, Denis Brady, being a director of the Company. As the exchange amount of the transaction is not supported by independent evidence, the assets and liabilities incurred must be recognized at their carrying amounts. At the date of this transaction, the net book value of property, plant and equipment was \$187 with an appraised value-in-use of \$1,087.

The difference between the amount paid for the acquisition of net assets (\$492) and their net book value (\$223) was recognized in equity.

The Company accounted for the acquisition of Nonferrous and Specialloy using CICA Handbook section 1581, "Business Combinations." As allowed under CICA Handbook section 1582, "Business Combinations", the Company elected not to restate any business acquisition that occurred prior to June 30, 2009.

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Years ended June 30, 2010 and 2009

10. Mineral Properties

	Brazil		Uganda	United States		Total
	Coronel Murta	Santa Maria		Lake George (Boomer)	Spor Mountain	
At June 30, 2008	\$ 230	\$ 230	\$ 185	\$ 151	\$ 250	\$ 1,046
Acquisition, including staking	-	-	-	196	-	196
Deferred exploration expenditures						
Administration and general	4	4	-	-	-	8
Consulting	28	28	5	-	-	61
Filing fees	-	-	-	-	-	-
Geological and geophysical	24	24	-	-	-	48
Legal	-	-	1	-	-	1
Permits	-	-	-	92	23	115
Written off	-	-	(191)	-	-	(191)
At June 30, 2009	286	286	-	439	273	1,284
Deferred exploration expenditures						
Administration and general	13	13	-	-	-	26
Consulting	12	12	-	-	-	24
Filing fees	1	1	-	3	-	5
Geological and geophysical	12	12	-	-	-	24
Mining research and surveying	-	-	-	-	178	178
Permits	-	-	-	61	52	113
Written off	(324)	(324)	-	(70)	-	(718)
At June 30, 2010	\$ -	\$ -	\$ -	\$ 433	\$ 503	\$ 936

In fiscal 2009, the Company relinquished its property rights in Uganda and accordingly wrote off the value of its Ugandan properties. In fiscal 2010, the Company decided to focus on its United States properties and wrote off the carrying value of its Brazilian properties.

In the year ended June 30, 2010, the Company relinquished certain of its Lake George mineral claims and recorded a \$70 impairment for the acquisition and deferred costs associated with these claims.

IBC ADVANCED ALLOYS CORP.

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11. Intangible Assets

	Trade Names	Customer Relationships	Technology	Data Library	Total
Cost					
At June 30, 2008	\$ 770	\$ 750	\$ -	\$ 923	\$ 2,443
Business acquisition	158	677	-	-	835
At June 30, 2009	928	1,427	-	923	3,278
Purchases	-	-	51	-	51
Business acquisition	250	230	420	-	900
At June 30, 2010	1,178	1,657	471	923	4,229
Accumulated amortization					
At June 30, 2008	19	19	-	5	43
Amortization expense	175	234	-	64	473
At June 30, 2009	194	253	-	69	516
Amortization expense	172	203	159	62	596
At June 30, 2010	366	456	159	131	1,112
Net book value					
At June 30, 2009	734	1,174	-	854	2,762
At June 30, 2010	\$ 812	\$ 1,201	\$ 312	\$ 792	\$ 3,117

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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Years ended June 30, 2010 and 2009

12. Goodwill

At June 30, 2008	\$	7,580
Nonferrous goodwill acquired		2,060
Goodwill impairment provision		(9,640)
At June 30, 2009		-
Beralcast® Corporation goodwill acquired (note 9)		2,154
At June 30, 2010	\$	2,154

The Company considered that there were no events or circumstances that more likely than not reduce the fair value of the reporting unit below its carrying amount at June 30, 2010, and therefore has not completed an interim impairment test for goodwill.

In view of weakness in the world economy, the Company undertook a review of its long-lived assets in the year ended June 30, 2009 and concluded that it should record a \$9,640 impairment of goodwill related to the acquisition of Freedom and Nonferrous. The impairment charge was required to reduce the carrying value of goodwill to its implied fair value of nil after it was determined in the annual impairment test at June 30, 2009 that the carrying value of the reporting units exceeded the fair value of the reporting units.

13. Lines of Credit

	June 30, 2010	June 30 2009
Line of credit with Customers Bank, formerly New Century Bank, (maximum \$2,000) at 5.85% collateralized by substantially all of Freedom's assets.	\$ 1,930	\$ 1,700
Line of credit with M&I Bank (maximum \$2,500) at one-month LIBOR plus 3.75% (5% at June 30, 2010), with a minimum rate of 5.00%, collateralized by substantially all of Nonferrous' assets.	671	1,279
	\$ 2,601	\$ 2,979

In addition to the collateral provided by the operating subsidiaries, IBC has guaranteed these lines of credit. On August 19, 2010, Customers Bank notified the Company that the line of credit was required to be repaid by November 23, 2010.

14. Accounts Payable and Accrued Liabilities

	2010	2009
Trade accounts payable	\$ 1,975	\$ 380
Accrued liabilities and employee withholdings	599	454
Other liabilities	360	214
	\$ 2,934	\$ 1,048

IBC ADVANCED ALLOYS CORP.

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Years ended June 30, 2010 and 2009

15. Loans and Notes Payable

	June 30, 2010	June 30, 2009
Note payable to Customers Bank, formerly New Century Bank in monthly payments of \$15 including interest at 8.00% per year to August 2016, collateralized by substantially all assets of Freedom.	\$ 918	\$ 1,038
Loan payable to M&I Bank in monthly principal payments of \$7 plus monthly accrued interest at 6.15% per year to October 15, 2011, collateralized by substantially all the assets of Nonferrous (see interest rate swap, note 20).	1,558	1,643
Notes payable to vendors of Nonferrous due October 31, 2011 bearing interest at an annual rate of 8%, payable monthly, collateralized by a stock pledge agreement by IBC US and Nonferrous	3,000	3,000
Note payable to a finance company in monthly payments of \$1 including interest at 3.90% per year to November 2010, collateralized by the vehicle acquired.	4	4
	<u>\$ 5,480</u>	<u>\$ 5,685</u>
Financial statement presentation:		
Current portion of loans payable	\$ 1,007	\$ 2,681
Long-term loans payable	1,473	4
Notes payable	3,000	3,000
	<u>\$ 5,480</u>	<u>\$ 5,685</u>

In addition to the collateral provided by the operating subsidiaries, IBC has guaranteed the loans payable to banks.

Contractual aggregate maturities required on notes and loans payable at June 30, 2010 are as follows:

Year ending June 30	
2011	1,007
2012	4,473
	<u>\$ 5,480</u>

The Customers Bank and M&I bank loan agreements require that the Company maintain a minimum net worth and minimum debt coverage and debt-to-tangible net worth ratios. In addition, there are limitations on dividends and capital withdrawals. The Company has been in violation of certain of the above covenants for its banks loans but M&I Bank has waived the debt service violations. The Company has classified the long-term obligation to Customers Bank as current as the bank has demanded repayment by November 23, 2010.

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16. Convertible Note

In December 2009, the Company closed a convertible note (the "Note") financing in the principal amount of C\$250 (\$238) issued to Firebird Global Master Fund II, Ltd. ("Firebird"). On the issuance of the Note, Firebird was an insider of the Company by way of holding more than 10% of the voting rights attached to outstanding common shares. The Note matured on March 23, 2010, bore interest at 10% per year and was convertible into units comprising one common share and one full warrant, with a conversion price of C\$0.14 per unit. The transaction was measured at exchange amount.

In April 2010, Firebird converted the Note and accordingly the Company issued 1,785,714 common shares in respect of the Note principal and 60,097 common shares for accrued interest. The Company also reserved 1,785,714 common shares to be issued on the exercise of warrants at an exercise price of C\$0.17. The warrants expire on April 16, 2012.

	Liability Component		Equity Component		Total
June 30, 2009	\$	-	\$	-	\$ -
Gross proceeds		112		126	\$ 238
Accretion and interest		146		-	
Repaid through the issuance of common shares and warrants		(258)		(126)	
June 30, 2010	\$	-	\$	-	\$ -

17. Share Capital

Authorized capital

Unlimited number of preferred shares issuable in series without par value. The board of directors may determine the designations, rights, preferences or other variation of each class or series within the preferred shares.

Unlimited number of common shares without par value.

Issued capital

No preferred shares.

191,698,821 common shares (June 30, 2009 - 115,709,480)

Escrow shares

As at June 30, 2010, 8,468,807 (June 30, 2009 – 25,406,471) common shares were held in escrow to be released on November 23, 2010.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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17. Share Capital (continued)

Share issuances

In the year ended June 30, 2010

In March 2010, the Company closed a short-form prospectus offering for the sale of 60,882,354 units of IBC at a price of C\$0.17 per unit, raising gross proceeds of C\$10,350 (\$10,161); total offering costs were \$1,527. Union Securities Ltd. and Pope & Company Limited were agents for the Company.

Each unit was priced at C\$0.17 and consisted of one common share of IBC and one-half of one common share purchase warrant exercisable at C\$0.25 (each whole warrant, a "Warrant"). Each unit Warrant entitles the holder to purchase one common share of IBC for a price of C\$0.25 per common share until March 23, 2012 subject to acceleration of the exercise period in certain circumstances. If following the closing of the unit offering, the Company's closing price is C\$0.50 or more per common share for 20 consecutive trading days on the Exchange, or an equivalent stock exchange (the "Accelerating Event"), the exercise period of the unit Warrants may be reduced to expire on the date that is 30 days following the Accelerating Event.

The Company paid the agents a cash commission of \$711 in connection with the unit offering and issued an aggregate of 4,261,764 broker warrants to acquire up to 4,261,764 common shares at a price of C\$0.17 per common share until March 23, 2012. The fair value of the broker warrants was \$468, calculated using the Black-Scholes option-pricing model employing the following assumptions:

Annualized stock price volatility	141%
Risk-free interest rate	1.63%
Expected warrant lives	2.0 years
Dividend yield	0.0%

Other costs of issuance totaled \$348 for legal, accounting and other professional fees.

In the year ended June 30, 2009

In April 2009, the Company closed a private placement and issued an aggregate of 8,333,332 common shares at a price of C\$0.15 per share for aggregate gross proceeds of C\$1,250,000 (\$1,028,974) pursuant to the placement. The Company paid finders' fees in connection with the financing consisting of C\$61,475 (\$53,425) in cash and issued 500,000 warrants which entitle the holder to purchase one common share at C\$0.15 for 24 months. The weighted average fair value of the warrants was estimated to be \$54,650, using the Black-Scholes option pricing model with the following assumptions: 110% volatility, 0% dividend yield, 1.04% risk-free interest rate and a weighted average expected life of two years.

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18. Stock Options

In 2007, IBC's board of directors adopted a rolling stock option plan, subsequently approved by shareholders and adopted by the Company, under which the Company is authorized to grant options to directors, employees and consultants to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option is based on the market price of the Company's stock for a period preceding the date of grant. The options can be granted for a maximum term of five years and vest as determined by the board of directors. The Company's shares trade in Canadian dollars and options granted to date have been denominated in Canadian funds.

In November 2009, the Company's shareholders approved a 2009 amended stock option plan at the Company's annual general meeting.

A summary of stock option activity to June 30, 2010 is as follows:

	Stock Options Outstanding	Weighted Average Exercise Price
June 30, 2008	6,549,000	C\$0.59
Granted	5,220,000	C\$0.18
Exercised	-	-
Forfeited	(2,065,000)	C\$0.55
June 30, 2009	9,704,000	C\$0.19
Granted	5,110,000	C\$0.17
Exercised	-	-
Forfeited	(80,000)	C\$0.15
June 30, 2010	14,734,000	C\$0.18

Total stock-based compensation for the year ended June 30, 2010 of \$279 (2009 - \$718) was recognized. The grant date fair value of the stock-based compensation of options granted during the year was \$653 (2009 - \$628)

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18. Stock Options (continued)

At June 30, 2010, the Company had outstanding and exercisable stock options as follows:

Exercise Price	Outstanding Options			Exercisable Options	
	Number	Weighted Average Remaining Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
C\$0.15	8,955,000	3.20 years	C\$0.15	8,850,001	C\$0.15
C\$0.17	4,510,000	4.84 years	C\$0.17	-	C\$0.17
C\$0.18	400,000	4.52 years	C\$0.18	100,000	C\$0.18
C\$0.50	229,000	2.37 years	C\$0.50	229,000	C\$0.50
C\$0.51	265,000	2.86 years	C\$0.51	176,667	C\$0.51
C\$0.55	150,000	3.25 years	C\$0.55	150,000	C\$0.55
C\$0.83	225,000	2.69 years	C\$0.83	225,000	C\$0.83
	14,734,000	3.70 years	C\$0.18	9,730,668	C\$0.19

The weighted average grant-date fair value of options awarded in the year ended June 30, 2010 was \$0.13. The Company employed the Black-Scholes option-pricing model using the following weighted average assumptions:

	2010	2009
Annualized stock price volatility	110%	110%
Risk-free interest rate	2.97%	2.0%
Expected option lives	5.0 years	4.6 years
Dividend yield	0.0%	0.0%

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19. Warrants

	Financing Warrants		Broker Warrants	
	Warrants Outstanding	Weighted Average Exercise Price	Warrants Outstanding	Weighted Average Exercise Price
At June 30, 2008	23,889,832	C\$0.62	864,000	C\$ 0.50
Issued	-	-	500,000	C\$ 0.15
Expired	-	-	(160,000)	C\$ 0.50
Exercised	-	-	-	-
At June 30, 2009	23,889,832	C\$ 0.62	1,204,000	C\$ 0.35
Issued	32,226,891	C\$ 0.25	4,261,764	C\$ 0.17
Expired	(17,055,000)	C\$ 0.75	(704,000)	C\$ 0.50
Exercised	-	-	-	-
At June 30, 2010	39,061,723	C\$ 0.26	4,761,764	C\$ 0.17

At June 30, 2010, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Financing Warrants	Number of Broker Warrants	Exercise Price	Expiry Date
-	500,000	C\$ 0.15	May 29, 2011
30,441,177	-	C\$ 0.17	March 23, 2012
1,785,714	4,261,764	C\$ 0.17	March 23, 2012
6,834,832	-	C\$ 0.29	May 29, 2012
39,061,723	4,761,764		

In April 2010, the Company extended, with regulatory approval, the expiry date of 6,834,832 warrants, exercisable at a price of C\$0.29, from May 29, 2010 to May 29, 2012. All other terms, including the warrant exercise price of \$0.29, remain the same.

20. Interest Rate Swap

On November 3, 2008, the Company entered into an interest rate swap contract covering the period to October 15, 2011. This had the effect of converting a variable interest rate loan from M&I Bank (note 15) to one with a fixed interest rate. The interest rate swap contract provides for monthly settlements from November 15, 2008 to October 15, 2011. Pursuant to the interest rate swap agreement, the Company will receive interest at the one-month LIBOR and will pay interest at a rate of 3.3%. The notional amount of the swap at June 30, 2010 is \$1,558. The fair value of the interest rate swap at June 30, 2010 is \$54 (June 30, 2009 - \$63).

The Company has not designated the interest rate swap contracts as a hedge in accordance with CICA Handbook Section 3865, "Hedges". Accordingly, the Company accounted for the interest rate swaps as derivative financial instruments and recorded the fair value of the interest rate swaps on its balance sheet at year-end, with realized and unrealized gains as losses from the change in fair value being recorded in the consolidated statements of operations.

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21. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2010	2009
Loss before income taxes	\$ (4,437)	\$ (15,779)
Expected income tax recovery	\$ (1,298)	\$ (4,759)
Foreign tax rate difference	(61)	(596)
Permanent differences	372	5,311
Financing costs	(68)	(13)
Effect of income tax rate changes	118	133
Loss carryback relating to previously unrecognized net operating losses	-	(562)
Change in valuation allowance	617	(662)
Income tax recovery	\$ (320)	\$ (1,148)

The significant components of the Company's future income tax assets and liabilities are as follows:

	2010	2009
Future income tax assets relating to:		
Exploration properties	\$ 128	\$ -
Share issue costs	229	39
Non-capital loss carry forwards	1,949	1,352
Valuation allowance	(1,837)	(1,220)
Future income tax assets	469	171
Future income tax liabilities relating to:		
Exploration properties	-	(10)
Plant and equipment	(1,468)	(1,702)
Intangible assets	(801)	(714)
Future income tax liabilities	(2,269)	(2,426)
Net future income tax liability	\$ (1,800)	\$ 2,255

In the year ended June 30, 2009, the Company recognized a future income tax liability of \$1,734 on the acquisition of Nonferrous.

The Company has available for deduction against future years' taxable income non-capital losses in Canada of approximately \$5,288, which will expire up to 2030 subject to certain restrictions. The Company also has United States non-operating losses of approximately \$1,824 which expire up to 2030.

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22. Related Party Transactions

The Company entered into the following transactions with related parties not disclosed elsewhere in these consolidated financial statements as follows:

June 30, 2010	Director or officer fees	Consulting fees	Rent	Total
Delu International Ltd. ¹	\$ 255	\$ -	\$ -	\$ 255
Lee Rice ²	69	-	10	79
S2 Management Inc. ³	223	48	-	271
Dal Brynelsen ⁴	22	-	-	22
Denis Brady ⁵	18	-	-	18
Ian Slater ⁶	22	-	-	22
Endeavour Resources Ltd. ⁷	-	23	-	23
Rafael Hernandes Correa Silva ⁸	-	24	-	24
Mark Wolma ¹⁰	26	-	-	26
Michael Fisher ¹¹	8	-	-	8
Total	\$ 643	\$ 95	\$ 10	\$ 748

June 30, 2009	Director or officer Fees	Consulting fees	Rent	Total
Delu International Ltd. ¹	\$ 130	\$ -	\$ -	\$ 130
Lee Rice ²	90	-	23	113
S2 Management Inc. ³	104	33	-	137
Dal Brynelsen ⁴	27	-	-	27
Denis Brady ⁵	33	-	-	33
Ian Slater ⁶	3	-	-	3
Endeavour Resources Ltd. ⁷	-	9	-	9
Rafael Hernandes Correa Silva ⁸	-	95	-	95
MCSI Consulting Services Inc. ⁹	-	16	-	16
Mark Wolma ¹⁰	-	4	-	4
Michael Fisher ¹¹	10	-	-	10
Lindsey Maness, Jr. ¹²	75	-	-	75
Total	\$ 472	\$ 157	\$ 23	\$ 652

¹ Beneficially owned by the Company's CEO.

² Mr. Rice is a director of the Company.

³ Beneficially owned by the Company's CFO who is a former director. Consulting fees related to a contract employee provided at cost.

⁴ Mr. Brynelsen is a director of the Company.

⁵ Mr. Brady is a director of the Company

⁶ Mr. Slater is a director of the Company

⁷ Endeavour Resources Ltd. is owned by Mr. Azim Nathoo, who is a director of Mineração Berilo do Brasil Ltda.

⁸ Mr. Hernandes Correa Silva is a director of Mineração Berilo do Brasil Ltda.

⁹ The Company's CFO holds a 50% interest.

¹⁰ Mr. Wolma is a director of Nonferrous

¹¹ Mr. Fisher is the president of Freedom and a director of Nonferrous

¹² Mr. Maness was an officer of the Company until January 31, 2009.

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22. Related Party Transactions (continued)

As at June 30, 2010, \$23 (June 30, 2009 - \$37) is owing to directors and officers for services and \$28 (June 30, 2009 - \$23) is owing to officers for expenses paid on the Company's behalf. As disclosed in note 15, the Company owes \$3,000, in notes payable, to the vendors of Nonferrous. \$1,875 of this amount is due to Denis Brady, a director of the Company.

Related party transactions were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

23. Commitments and Contingencies

The Company is contractually committed under lease and research contracts to make payments as follows:

Year ending June 30		
2011	\$	504
2012		562
2013		504
2014		504
2015		378
	\$	2,452

The Company is contractually committed to purchase, at June 30, 2010 prices, an aggregate of \$8,976 in raw materials. The contract periods do not coincide with the Company's fiscal year, but the estimated commitment in each fiscal year is as follows:

Year ending June 30		
2011	\$	2,138
2012		2,232
2013		1,882
2014		1,357
2015		678
	\$	8,287

24. Supplementary Cash Flow Information

Year ended June 30	2010	2009
Cash paid for interest costs	\$ 581	\$ 452
Cash paid for income taxes	-	13
Amortization expense included in cost of sales	1,071	527
Shares issued on Beralcast® acquisition	2,519	-
Shares issued on Nonferrous acquisition	-	541
Debt assumed by vendors on Nonferrous acquisition	-	3,000
Debt assumed by vendors on Specialalloy acquisition	-	450

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25. Segment Reporting

As at June 30, 2010 and 2009, the Company had three reportable segments: mineral properties, manufacturing and corporate. The mineral properties segment manages the acquisition, exploration and development of beryllium natural resources and analysis of the Company's resource information database; the manufacturing segment produces beryllium copper and other specialty alloy products; corporate oversees and administers the operating divisions and undertakes research and development.

The accounting policies of the segments are the same as described in note 3 of these audited financial statements. IBC's management evaluates performance based on profit or loss from operations before other items.

	Manufacturing	Mineral Properties	Corporate	Total
June 30, 2010				
Sales to external customers	\$ 14,932	\$ -	\$ -	\$ 14,932
Operating income (loss)	(739)	(167)	(2,047)	(2,953)
Amortization	1,347	68	10	1,425
Stock-based compensation	158	-	121	279
Interest income	3	-	3	6
Interest expense	(383)	-	(376)	(759)
Income tax recovery (expense)	299	22	(1)	320
Property, plant and equipment purchases	181	-	6	187
June 30, 2009				
Sales to external customers	11,617	-	-	11,617
Operating income (loss)	(2,517)	(375)	(1,646)	(4,538)
Amortization	932	70	4	1,006
Stock-based compensation	239	57	422	718
Interest income	-	-	72	72
Interest expense	290	-	160	450
Income tax recovery (expense)	1,148	-	-	1,148
Property, plant and equipment purchases	\$ 312	\$ 334	\$ -	\$ 646

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25. Segment Reporting (continued)

Total assets employed by each division are:

Total assets	June 30, 2010	June 30 2009
Manufacturing	\$ 19,712	\$ 14,459
Mineral properties	1,722	2,147
Corporate	5,040	700
	\$ 26,474	\$ 17,306

The geographical division of the Company's revenues based on the customer's country of origin is as follows:

Sales	June 30, 2010	June 30, 2009
North America	\$ 11,363	\$ 7,738
Europe	1,507	2,871
Asia	2,062	1,008
	\$ 14,932	\$ 11,617

The following customers represented more than 10% of sales:

	2010			2009	
	Amount	%		Amount	%
Customer A	1,509	10.1	\$	1,914	16.5
Customer B	-	-		1,260	10.8

Mineral properties, property, plant and equipment, intangible assets and goodwill	June 30, 2010	June 30, 2009
Canada	\$ 31	\$ 35
Brazil	-	572
United States	13,710	9,900
	\$ 13,741	\$ 10,507

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26. Financial Risk Management

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. From time to time, the Company may use foreign exchange contracts, commodity price contracts and interest rate swaps to manage exposure to fluctuations in foreign exchange, metal prices and interest rates. The Company does not have a practice of trading derivatives. In the past, the Company's use of derivatives was limited to specific programs to manage fluctuations in foreign exchange risk, which are subject to the oversight of the board of directors.

Fair Values

Financial instruments classified use level 1 quoted prices in active markets including cash and cash equivalents and interest rate swaps.

Foreign Exchange Risk

The Company operates projects in several different countries and therefore, foreign exchange risk exposures arise from transactions denominated in foreign currencies. Foreign exchange risk arises primarily with respect to the US dollar, as the majority of the Company's debt and capital expenses are denominated in US dollars. The risk is for the amount denominated in Canadian dollars since the Company treats US dollars as the functional currency.

As at June 30, 2010, with other variables unchanged, a 1% increase (decrease) in the Canadian dollar would increase (decrease) net earnings by approximately \$2.

Exposure to the Canadian dollar on financial instruments is as follows:

Balance at June 30, 2010	Canadian Dollars
Cash and cash equivalents	187
Receivables	20
Accounts payable	-

Balance at June 30, 2009	Canadian Dollars
Cash and cash equivalents	195
Receivables	107
Accounts payable	18

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26. Financial Risk Management (continued)

Interest Rate Risk

The Company's interest rate risk mainly arises from the interest rate impact on cash and cash equivalents. Cash and cash equivalents receive interest based on market interest rates. The Company's long-term debt has a fixed interest rate or is hedged and is not exposed to interest rate risk.

As at June 30, 2010, with other variables unchanged, a 1% increase (decrease) in the interest rate would increase (decrease) net earnings by approximately \$10.

Commodity Price Risk

The Company's profitability and long-term viability will depend, in large part, on the market price of copper, aluminum and beryllium. The market prices for metals can be volatile and are affected by numerous factors beyond the Company's control, including: global or regional consumption patterns; the supply of, and demand for, these metals; speculative activities; the availability and costs of metal substitutes; expectations for inflation; and political and economic conditions, including interest rates and currency values. The Company cannot predict the effect of these factors on metal prices.

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's credit risk arises primarily with respect to its trade accounts receivable.

The Company manages credit risk by trading with recognized creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debt is not significant.

The Company also manages its credit risk by investing only in obligations of any province of Canada, Canada or the United States or their respective agencies, obligations of enterprises sponsored by any of the above governments; banker's acceptances purchased in the secondary market and having received the highest credit rating from a recognized rating agency in Canada or the United States, with a term of less than 180 days; and bank term deposits and bearer deposit notes, with a term of less than 180 days.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents, and other receivables.

Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. If necessary, it may raise funds through the issuance of debt, equity, or monetization of non-core assets. To ensure that there is sufficient capital to meet obligations, the Company continuously monitors and reviews actual and forecasted cash flows and matches the maturity profile of financial assets to development, capital and operating needs.

See note 15 for contractual undiscounted cash flow requirements for loans and notes payable as at June 30, 2010.