

IBC ADVANCED ALLOYS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED SEPTEMBER 30, 2010

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IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Three Months Ended September 30, 2010

The following is a management's discussion and analysis ("MD&A") of IBC Advanced Alloys Corp. and its subsidiaries (collectively "IBC"), prepared as of November 26, 2010. This MD&A should be read together with the unaudited financial statements for the three months ended September 30, 2010 and related notes and our audited consolidated financial statements for the year ended June 30, 2010 and related notes, which are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All financial amounts are stated in United States dollars unless otherwise indicated.

Certain information included in this MD&A may constitute forward-looking statements. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to IBC is available for view on SEDAR at www.sedar.com.

Our Business

We are engaged in the development and manufacturing of advanced alloys, in particular beryllium aluminum alloys and specialty copper alloys. We are also undertaking beryllium mineral exploration and supporting research and development initiatives that will benefit beryllium consumption. Beryllium is one of the least dense of all rare metals with one of the highest melting points of all the light metals and retains its physical properties under extreme stress. It is used as a shield and moderator in nuclear reactors. It can be used in its pure form or combined with other metals to form unique alloys for essential applications for the nuclear, aerospace, medical, automotive, electronic and defense industries. Our head office is located in Vancouver, Canada.

There are three distinct aspects to our business:

- Manufacturing - We operate four plants in the United States ("US") that manufacture, heat-treat, machine or market copper-beryllium, beryllium-aluminum, copper-based master alloys and similar specialty alloy products. Our manufacturing divisions employ 78 people.
- Research – We are working on research initiatives with the goal of increasing demand for beryllium-related products. Our principal research initiative is in conjunction with Purdue University ("Purdue") and Texas A&M University to develop an enhanced nuclear fuel. This fuel is intended to operate in today's reactors but with a longer fuel life and a higher safety margin. We do not have any employees directly engaged in research.
- Mineral exploration - We own beryllium mineral properties in Utah and Colorado in the US. All of our mineral properties are either formerly operating mines or are adjacent to sites that are mines. We employ one person to manage our exploration program.

We were incorporated under the laws of British Columbia and on November 23, 2007, operating as Janina Resources Limited, we completed a business amalgamation with Horn Rare Metals Ltd. We changed our name from Janina Resources Limited to International Beryllium Corporation. In March 2009 we again changed our company name to "IBC Advanced Alloys Corp." to reflect our focus on producing advanced alloys as part of our strategy of becoming a vertically integrated specialty alloy producer. Our common shares are listed on the TSX Venture Exchange (the "Exchange") under the symbol "IB".

Corporate Developments

- In our first fiscal quarter ended September 30, 2010, we generated sales of \$5,656,000, up 119% over the comparative period in 2009. Our results of operations are discussed in further detail below.
- In September 2010, Purdue filed provisional patents covering IBC-funded current nuclear fuel research and new discoveries, underway at Purdue and Texas A&M universities. We also extended the terms of our collaborative research agreement with Purdue to December 31, 2010. See "Research Initiatives" below.
- In August 2010, Fugro Airborne Survey ("Fugro") completed airborne geophysical data collection on our beryllium claims and the surrounding area in Juab County, Utah. Fugro recorded 1,060,172 magnetic intensity readings and compiled 106,262 sets of 256-channel gamma ray energies. See "Mineral Exploration" below.
- In August 2010, we signed a letter agreement with Hydrogen Link Inc. ("Hydrogen Link") to advance their leading edge and proprietary lithium beryllium hydrides technologies for hydrogen storage and fuel cell applications. Hydrogen Link is a materials research company focused on hydrogen storage, fuel cell and complementary technologies based in Montreal, Quebec.
- Customers Bank has demanded that we repay amounts due to it aggregating \$2,850,000 as at June 30, 2010. We are working to obtain replacement borrowing facilities. However, in the alternative we believe will be able to work out an arrangement given our current cash reserves and borrowing capacity.

Manufacturing Operations

We currently have four manufacturing operations in the United States that employ 78 people that operate in two divisions.

Our manufacturing operations rely on a single supplier, Ulba Metallurgical Plant ("Ulba"), a beryllium processing and manufacturing facility owned by Kazatomprom, the national atomic company of Kazakhstan. We are reliant on Ulba for most of our beryllium, which is a component of approximately 55% of our sales. We can, however, also source beryllium from the US National Defense Stockpile and a third-party business from time to time.

In March 2010, we signed long-term beryllium supply agreements for beryllium as well as beryllium copper master alloy with Ulba. Under the terms of the agreements, Ulba and IBC have committed to (1) multiple-year supply commitments for beryllium metal and beryllium copper master alloys, (2) explore strategic partnerships, which may include direct or indirect investment that will support the growth of the beryllium business for the benefit of both parties, and (3) assess the feasibility of a Kazakhstan-based high volume beryllium oxide production facility to support our growing nuclear fuels initiatives. We previously signed a letter of intent with Kazatomprom in November 2009.

We have been unable to complete recent purchases of vacuum-cast beryllium from Ulba due to delays in securing export licences. We are working to provide the necessary documents to reestablish shipments. The delay in shipments has not materially affected our operations as we have been able obtain beryllium from other sources.

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COPPER ALLOYS DIVISION

Our copper alloys division is based in Franklin, Indiana, where we maintain a forging, heat-treating and machining operation. The alloys that we sell include high strength copper, beryllium-copper alloys (C17200, C17510, C18000 and C18150, C18200) and aluminum-bronze alloys (C61400, C62400, C62500, C95400, C63000 and C63200).

We source copper alloys in cast billet, slab or ingot from mills in North America and Asia and convert these into usable industrial products serving the industrial welding, oil and gas, plastic mold, metal melting, marine defense, electronic and industrial equipment markets. We also provide tooling components for the North American automotive industry, the European and North American consumer plastic tooling producers, the global oil and gas service industry, the prime North American submarine and aircraft carrier producers and repair facilities including the US Navy, electronics industries and general equipment manufacturers. We produce material at two IBC-owned mills and buy other billet from independent third-party mills.

Our Franklin plant operates from a 48,800 square foot manufacturing plant on land that we own. There is room for significant expansion of plant operations at the current site.

We cast billets at our plants in Royersford, Pennsylvania and New Madrid, Missouri. Our core expertise is melting and casting beryllium copper and other beryllium containing alloys and serving the end user market via a distribution network of established dealers and distributors. Our casting division is a primary producer-supplier of beryllium copper casting and master alloy ingot products in North America and markets around the world. We also manufacture beryllium nickel and beryllium-aluminum alloy products.

We offer our customers a full range of manufacturing and support services including casting and master alloy products, cast and forged billet products, semi-continuous cast input billets and wrought products. We manufacture our beryllium alloys utilizing either pure metallic beryllium or certified beryllium copper master alloy.

Our Royersford facility has three furnaces that have been adapted to meet the specialized requirements of beryllium alloy manufacturing. We have strong technical and manufacturing engineering resources in the highly specialized beryllium and beryllium containing alloy industry, which have allowed us to develop and integrate proprietary direct chill VLT (very low turbulence) semi-continuous casting technology into a highly autonomous billet manufacturing cell. This effort has resulted in the capability to manufacture large 21-inch diameter beryllium copper input billets weighing up to two tonnes. These large-scale as-cast billets exhibit consistently fine-grained, uniform micro-structures coupled with high purity, low carbide chemical compositions.

During fiscal 2010 we experienced ongoing operational difficulties at our Royersford plant. During the first quarter of fiscal 2011, we undertook a reorganization of the plant's operations including revised production processes, new equipment, employee training and integrating its operations more closely with those of our Franklin plant. The president of our Franklin plant is now president of our entire copper alloys division including the Royersford plant. These changes have already generated improved performance.

Our New Madrid plant covers 26,500 square feet, located on a six-acre site approximately 250 kilometres south of St. Louis close to the Mississippi River. It has two furnaces and is capable of producing billets in a range of sizes and compositions. We are planning to upgrade this facility to make it suitable for beryllium alloy production. There is room for significant expansion of plant operations at the current site.

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BERYLLIUM-ALUMINUM DIVISION

Our beryllium-aluminum division is based in Concord, Massachusetts where it operates from an approximately 40,000 square foot leased facility. Our beryllium-aluminum division manufactures the Beralcast[®] family of metal matrices that can be used in virtually any commercial and military application requiring complex, lightweight, or high-stiffness parts. In general, they serve as a higher performance or lower cost replacement materials for cast aluminum, magnesium, titanium, metal matrix composites, non-metallic composites, and pure beryllium or powder metallurgy beryllium-aluminum. Some of the varied applications include disk drive armatures, automotive braking and structural components, advanced cycling rims and aerospace and satellite system components.

The principal Beralcast[®] metal matrix is more than three times stiffer than aluminum with 22% less weight and can be precision-cast to simple and complex configurations. This material is very lightweight with a high modulus of elasticity and can be precision cast for three-dimensional stability. Beralcast[®] is ideally suited for certain demanding semiconductor manufacturing equipment, computer components and other commercial and aerospace applications and allows for a near-net shape to be cast for maximum manufacturing efficiencies.

Binary beryllium-aluminum composites were developed by an US corporation, which was originally a metallurgical laboratory affiliated with the Massachusetts Institute of Technology, in cooperation with Lockheed Martin. We own the intellectual property relating to the more advanced development of this technology, which is a proprietary and patented castable metal matrix composite beryllium aluminum alloy now manufactured as Beralcast[®] which no one, to the best of our knowledge and inquiry, has been able to duplicate commercially.

The current location of our beryllium-aluminum division is not well suited to our needs. Furthermore, the Commonwealth of Massachusetts is trying to evict the company from which we are leasing the premises. This matter is currently before the Superior Court of the Commonwealth of Massachusetts and if our landlord were evicted, we would have to relocate our beryllium-aluminum operations at the same time. This matter is scheduled to come to trial in early 2011.

We signed a lease to relocate our beryllium-aluminum division effective September 1, 2010 for a term of ten years and six months for a new facility in Wilmington, Massachusetts, which includes approximately 63,000 square feet of warehouse and office space. We have begun construction at the new facility and expect to complete the move by January 31, 2011 although it will take longer before the plant is fully operational. We will be able manage our production in a way that we can satisfy our customer shipping requirements without disruption and increased production in the first two quarters of the current fiscal year to accommodate our customers' requirements. We initially budgeted construction and relocation costs at \$1,800,000. We believe that this estimate, although still subject to change, is still representative of the cost we will incur.

OPERATING PERFORMANCE AND OUTLOOK

Based on information available to us, the revenues of our manufacturing operations for the coming months will continue at approximately the same level as our first fiscal quarter. Although our order intake has not returned to pre-recession levels, we have seen a sustained increase in order intake and production since mid-2009. We expect that revenues will decrease temporarily by up to 20% in our third fiscal quarter solely due to the relocation of our beryllium-aluminum division; it will be necessary for us to shut the plant for about two months.

The US and Canada currently account for about 75% of our sales and our vice-president of business development is working on expanding sales outside the US. The recent weakness of

the US dollar will improve our competitiveness in foreign markets. Our European sales could however be adversely affected by moves to limit or ban the sale of beryllium-containing products in the European Union. Any such regulatory change would also represent an opportunity for us as we also manufacture and distribute non-beryllium containing alloys with similar properties that we can substitute for certain products, if required.

With the purchase of our beryllium-aluminum division earlier this year, we expect to eventually further increase our sales. We do not, however, expect that the beryllium-aluminum operations will have a significant effect on earnings in the current fiscal year, as we need to reorganize the business and invest in its operations.

Approximately 80% of our revenues are derived from copper alloys. The price of copper has steadily increased since the recession ended. Since we pass the cost of copper through to our customers, our profitability is not, in the long term, affected by the price of copper except to the extent that high copper prices discourage consumption. In the short-term, price fluctuations can have a bearing on our profitability, but the effect is unlikely to be material unless the price movements are very marked.

Research Initiatives

We are sponsoring and assisting in research initiatives with a view to increasing demand for beryllium and beryllium oxide. We are currently working on enhanced nuclear fuels and wind turbine applications.

NUCLEAR FUELS

In August 2008, we signed a collaborative research agreement with Purdue to advance the university's existing nuclear fuels research program and to develop a new type of beryllium oxide ("BeO") nuclear fuel that is longer lasting, more efficient and safer than current nuclear fuels. We plan to seek joint venture opportunities to further advance the research to develop, for commercial use, an enhanced uranium oxide - beryllium oxide (UO₂ – BeO) nuclear fuel suitable for both existing and future nuclear power reactors.

In September 2010, we extended the research agreement with Purdue to December 31, 2010 to complete the current phase of research. Purdue has filed provisional patents covering the IBC-funded nuclear fuel research, specifically, the fields of invention and technical fields being patented under the provisional filings are the design of enhanced high thermal conductivity nuclear fuel made of uranium oxide with addition of a compatible high thermal conductivity material such as beryllium oxide using controlled microstructures in the product.

Previous work by Purdue nuclear engineers showed that an advanced UO₂ – BeO nuclear fuel could potentially save billions of dollars annually by lasting longer and burning more efficiently than conventional nuclear fuels while at the same time dramatically impacting the demand for beryllium and beryllium oxide. In addition to the cost savings, an advanced UO₂ – BeO nuclear fuel could also contribute significantly to the operational safety of both current and future nuclear reactors due to its superior thermal conductivity and associated decrease in risks of overheating or meltdown.

Under the terms of our research agreement, Purdue granted us an option at our sole discretion, to enter into either a non-exclusive royalty-free license for commercial application to the intellectual property relating to the development of an advanced beryllium oxide nuclear fuel (the "IP") as developed by Purdue under the agreement, or an exclusive royalty-bearing license to the IP up to a mutually agreed maximum royalty amount. We funded a 24-month research

program that, as indicated above, we extended until the end of 2010. Over the next few months, we will assess the work plan and cost of the next phase of research.

Purdue led the early research into $UO_2 - BeO$ fuel, which is intended to solve the inherent problem of low thermal conductivity of existing UO_2 fuel. The low thermal conductivity leads to a large temperature gradient across the fuel pellet, which limits the operational performance of nuclear reactors due to thermal stresses that cause pellet cladding interaction and the release of fission product gases. An enhanced thermal conductivity $UO_2 - BeO$ fuel would decrease maximum fuel temperatures and facilitate a reduction in pellet cladding interaction through lessening thermal stresses that result in fuel cracking, relocation and swelling. Additionally, fission gas release would decrease allowing for higher fuel burn-up and reactor safety would be greatly improved with a faster thermal response and less stored energy in the fuel pins. We have been advised by the Purdue professor emeritus who is guiding the research that if $UO_2 - BeO$ nuclear materials are feasible, they would function in existing, unmodified nuclear reactors.

In April 2010, we appointed James Malone as our vice president of nuclear fuels. He is former vice president of nuclear fuels for Exelon, a wholly owned subsidiary of Exelon Corp., and has more than 40 years of experience in the nuclear power industry, focused on the technical, economic and planning aspects of nuclear fuels. At Exelon, he was responsible for their nuclear fuel cycle activities, including procurement, safeguards, economics, and fuel cycle cost. Exelon operates the largest nuclear reactor fleet in the US and the third largest fleet in the world. As IBC's vice president of nuclear fuels, Mr. Malone will foster and manage relationships with potential industry partners and government agencies to collaborate with us on our strategic initiative to develop a more efficient, safer and economically sound beryllium oxide enhanced nuclear fuel. Mr. Malone was previously appointed to IBC's nuclear fuels advisory board in August 2009 and he devotes approximately 25% of his time to IBC activities.

We have a nuclear fuels research advisory board to assist in developing and implementing a long-term strategic plan to commercialize the nuclear fuel technology currently being developed by Purdue and Texas A&M universities in partnership with IBC. Our nuclear fuels advisory board comprises:

- Dr. Alvin Solomon is a professor emeritus of nuclear engineering at Purdue and holds a PhD in materials science from Stanford University.
- Joel Gingold is an independent nuclear fuels consultant who retired as vice president and general manager of Stoller Nuclear Fuel Division of NAC International in 2005 where he performed a variety of assignments in nuclear fuel fabrication and fuel performance for utilities, industry associations, government agencies, consulting firms and other organizations.

WIND TURBINES

We have teamed with Sentech, Inc., a Washington DC-based clean energy consulting company to explore the development and commercial application of beryllium and BeO in the growing wind energy and wind turbine market.

HYDROGEN FUEL STORAGE

We have entered into a six-month arrangement with Hydrogen Link, a materials research company focused on hydrogen storage, fuel cell and complementary technologies. Under the terms of the agreement, which expires December 31, 2010, we have collaboratively completed an industry study on solid-state hydrogen storage cells and related applications. We are now

working with Hydrogen Link to identify potential industry partners, with a view to forming a joint venture to improve and expand on lithium beryllium metal hydride technologies.

Mineral Exploration

We are seeking to accumulate mineral properties that could serve as a source of raw materials for future production. We own a comprehensive reference library detailing beryllium mines, deposits and occurrences worldwide, which is complemented by extensive geologic, topographic and bathymetric databases and a comprehensive library of satellite imagery.

In view of the recession, we slowed our mineral exploration activities in late 2008 to conserve cash. We allocated approximately \$1,000,000 from our recent financing to undertake mineral property exploration that we will conduct in several phases. We expected to spend most of the exploration budget at our Spor Mountain property. Total expenditures to September 30, 2010 were \$258,000.

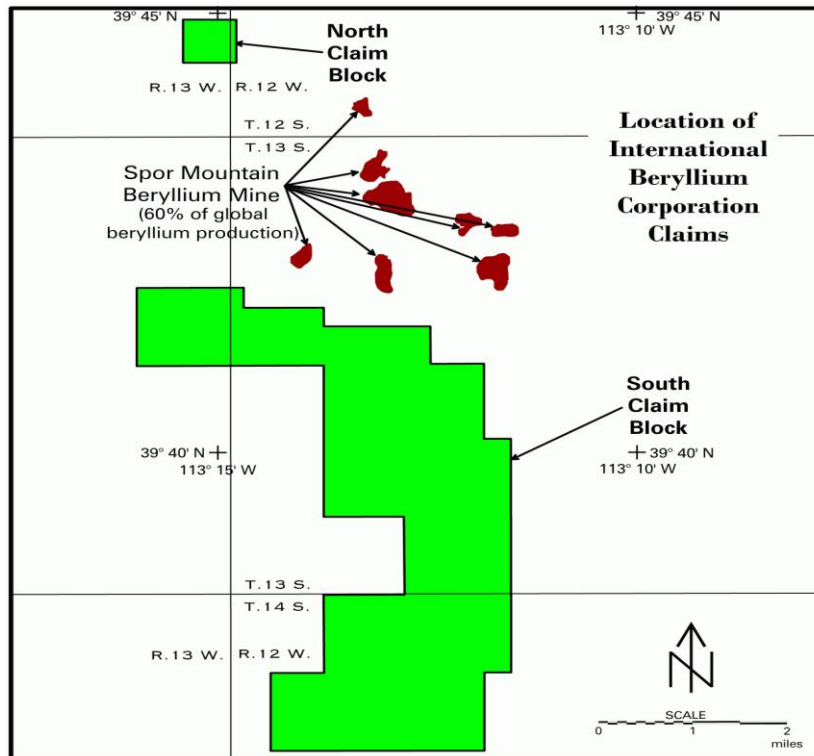
Only two beryllium minerals are of commercial importance for the production of beryllium. Bertrandite is the principal beryllium mineral mined in the United States. Beryl (from pegmatite) is the principal beryllium mineral mined in the rest of the world. Following an evaluation of our United States mineral properties, we have decided not to pursue exploration on our Brazilian properties and are seeking to relinquish them. We wrote off the value of the Brazilian properties in the year ended June 30, 2010.

SPOR MOUNTAIN, JUAB COUNTY, UTAH

Property Description and Location

We own 371 mineral claims near Spor Mountain in Juab County, Utah, USA. The 371 claims comprise approximately 7,665 acres (3,102 hectares) proximal to another company's existing beryllium mining operations at Spor Mountain. The property is situated in a very sparsely populated part of Juab County. It is readily accessible along a paved road system but has limited availability of electricity.

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Previous History

This property is situated in an area of known beryllium mineralization described in US Geological Survey ("USGS") Professional Paper 415. Studies conducted by the USGS and by the US Bureau of Mines in the 1960s confirmed the occurrence of beryllium minerals throughout the area and documented the extent and grades of some of the beryllium deposits in this area and their chemical, mineralogical, and physical characteristics.

Exploration

Our Utah mineral claims about the mineral property of Brush Engineered Materials, Inc. ("Brush") at Spor Mountain. Brush operates five open pit mines in this location and produces approximately 64,000 tons of bertrandite ore annually grading 0.32% beryllium. This constitutes approximately 60% of world production, but Brush's lack of additional exploration has led to declining reserves during the past few years.

The beryllium deposits discovered at Spor Mountain in December 1959 have been the major source of this metal in the western world for more than 40 years. The beryllium mineralization at this location occurs in tabular deposits situated along major faults and fractures in an altered water-laid rhyolitic tuff within a valley that once was part of paleo-Lake Bonneville. Our claims are located on extensions of these geologic structures initially described by USGS geologists and are presently being mined on Brush's properties.

Our analysis of topographic data and high resolution aerial photography of the area has revealed the presence of a previously unmapped extinct volcanic caldera that may prove to be the source of structural control, hydrothermal fluids, and beryllium mineralization in this area. The presence of this caldera poses the possibility of more extensive beryllium mineralization on our claims than has been encountered at the Brush mine site.

In September 2010, Fugro completed the airborne geophysical data collection portion of its contract to survey our beryllium claims and surrounding areas in Juab County. The survey area

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covered 72,380 hectares (178,850 acres) in 271 flight lines totalling 7,495 line kilometres (4,657 line miles) of total magnetic intensity and 256-channel radiometric data recording. Flights were carried out at an average height above terrain of 157 metres (515 feet). A total of 1,060,172 total magnetic intensity readings were recorded and 106,262 sets of 256-channel gamma ray energies were compiled.

Our analysis of the geophysical survey data revealed several extensive northeast-trending fracture zones that previously had not been identified or mapped because of the volcanic tuffs that blanket the prospect area. The next stage of our exploration program will be to determine whether there is commercially viable beryllium mineralization in the fracture zones, which are at surface on the property.

We extracted a series of 50 magnetic intensity profile lines spaced approximately one kilometre apart from the gridded residual magnetic intensity data and were used to identify lows where postulated hydrothermal fluids have altered minerals and reduced the magnetic permeability of the country rock. The alignment of lows from one line to the next traces an extensive pattern of fractures and hydrothermal alteration.

On the southwest flank of Spor Mountain, the site of previous and ongoing beryllium mining, the presence of fragmental limestones and dolomites in the vicinity of throughgoing faults and fractures has localized the deposition of the beryllium ore mineral bertrandite from circulating hydrothermal fluids. The extensive fracture systems and geologic structure being revealed by the analysis of closely-spaced magnetic intensity data in the Fish Springs Flat suggests a greater amount of beryllium mineral deposition than was previously thought to exist. We are undertaking further work to identify the full extent of the fracture systems and expect to identify drill targets for the next phase of exploration work on the properties.

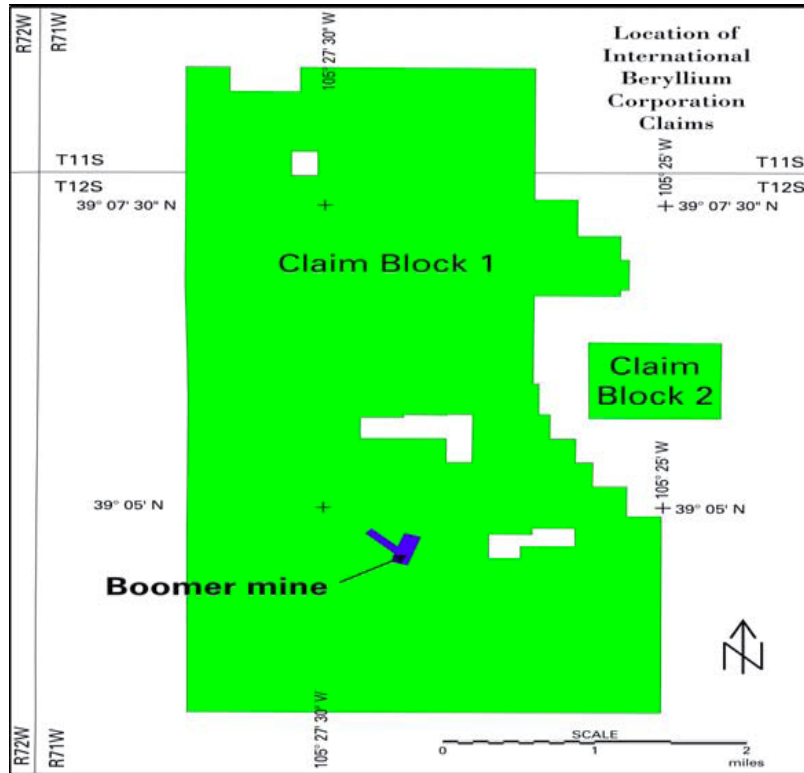
Plan

We plan to formulate a comprehensive exploration program to delineate the extent of the beryllium mineralization and to quantify the size and grade of the deposits within our claim blocks. We are currently analyzing the information from the airborne geophysical data collection and planning a drilling program with a view to completing a National Instrument 43-101 ("NI 43-101") report on the Spor Mountain property in due course. We plan to begin drilling on the property in 2011.

LAKE GEORGE, PARK COUNTY, COLORADO

We also own a 100% interest in the Boomer mine located in the Lake George beryllium district, a well known area of beryllium mineralization in Park County, Colorado, USA. The property is comprised of two patented mining claims: (1) the Boomer lode and (2) the East Boomer lode constituting 20.560 acres (8.320 hectares) of land and an undivided one-third interest in the adjacent JS lode, a 9.395-acre (3.802 hectares) patented mining claim. We also staked 434 mining claims (approximately 8,967 acres or 3,629 hectares) on adjacent lands to expand our Colorado interests in the Lake George district.

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Property Description and Location

The Boomer mine is situated in Section 21 of Township 11 South, Range 72 West (T11S, R72W). It lies within the Lake George beryllium area, a prolific beryllium-producing area of South Park, Park County, Colorado. It is well supplied with electricity, water and telephone, and is readily accessible along an established road system.

Previous History

The Boomer mine was historically the second largest producing beryllium mine in the United States from 1948 until 1963 and was the largest beryllium ore producer in 1958. Mining operations were discontinued in the early 1970s due to a legal dispute between the operating partners and there has been no recent exploration activity on the property.

USGS scientists, Dr. Wallace R. Griffiths and Dr. Charles C. Hawley, evaluated the Boomer mine in the 1960s for publication of USGS Professional Paper 608-A and 608-B and USGS Circular 597. They were of the opinion that the Boomer mine retained more than 50% of its mineable reserves. Ore reserves will have to be confirmed by systematic drilling, geochemical sampling, and by geophysical and geological evaluations. We can confirm that the previous reserves are now an historical resource.

Exploration

We have staked of 434 mineral claims in two claim blocks in the Lake George district, which includes the Boomer mine. The staked area is approximately 8,967 acres (3,629 hectares) and includes the former beryllium producing areas of Badger Flats, China Wall, Redskin Gulch, and numerous former producing claims and workings.

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Plan

Our future plans include analyzing historical data with the objective of undertaking further geochemical, geophysical, and field geological investigations to identify and delineate any additional ore zones that may be suitable for mining. Once this initial work is complete, we plan to incorporate our findings into a thorough resource estimate for the entire Lake George area.

Financial

SELECTED QUARTERLY INFORMATION

During our most recent eight quarters, we have not incurred any loss from discontinued operations or extraordinary items.

Quarter Ended	Revenue \$000	Loss for the period \$000	Basic and diluted income (loss) per share \$
December 31, 2008 (restated)	3,192	(6,962)	(0.07)
March 31, 2009	3,090	(1,511)	(0.01)
June 30, 2009	2,610	(5,395)	(0.05)
September 30, 2009	2,583	(800)	(0.01)
December 31, 2009	3,744	(479)	(0.00)
March 31, 2010	4,034	(798)	(0.01)
June 30, 2010	4,571	(2,040)	(0.01)
September 30, 2010	5,656	(673)	(0.00)

Our December 2008 quarter included a \$5,300,000 impairment provision that we took in respect of goodwill associated with Freedom. Our loss for the quarter ended March 31, 2009 decreased, largely because the prior period included a large goodwill impairment provision but the weak economy also adversely affected our results. Our loss for the quarter ended June 30, 2009 increased as a result of a \$4,339,000 goodwill impairment provision. The weak economy continued to affect our operations.

Our loss for subsequent quarters improved over the June 30, 2009 quarter as there was no goodwill impairment provision and the improving economy benefited our operating results. Period-to-period variations in earnings were primarily due to production issues at our operating facilities. Our loss for the quarter ended June 30, 2010 was adversely affected by operating problems at our Royersford plant, which we subsequently addressed, and by mineral property impairments totalling \$718,000. Sales improved following our acquisition of Beralcast[®] Corporation.

Our loss for the quarter ended September 30, 2010 significantly decreased compared to the prior period's loss, which included impairment costs and expenses associated with the year-end audit. Our operating results significantly improved at our manufacturing operations in the first quarter, which has helped offset any losses.

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RESULTS OF OPERATIONS

We incurred a loss of \$673,000 for the three months ended September 30, 2010 compared to a loss of \$800,000 in the comparative 2009 period and a loss of \$2,040,000 for the quarter ended June 30, 2010. Our operating performance improved in fiscal 2010 and into the first quarter of fiscal 2011. The most significant factor affecting the change in profitability was that revenues have increased 119% from the comparative period, due to increased order levels. In the comparative period, our operating revenues reflected lower sales as a result of the recession.

Our loss before other items ("operating loss") for the three months ended September 30, 2010 was \$570,000 compared to an operating loss of \$723,000 in the comparative 2009 period. As a result of increased sales and better plant operations, our gross margin and gross profit improved significantly. The full benefit of the higher gross profit is not reflected in the operating loss because we have continued to invest in growth, particularly:

- increased in-house business development activities including staff and travel to prospective customers and trade shows;
- business development and investor communications consultants; and
- additional overhead resulting from the purchase of Beralcast[®] Corporation in March 2010.

The following table provides details of our loss before other items. Corporate expenses are those not allocated to specific operating segments, including research costs. This table shows the segments as they are reported to management.

Three months ended September 30 \$000	2010	2009
<i>Segment revenues</i>		
Manufacturing	\$ 5,656	\$ 2,583
Mineral properties	-	-
Corporate	-	-
Total revenues	<u>\$ 5,656</u>	<u>\$ 2,583</u>
<i>Segment operating profit (loss)</i>		
Manufacturing	\$ (3)	\$ (373)
Mineral properties	(67)	(36)
Corporate, including research	(500)	(314)
Loss before other items	<u>\$ (570)</u>	<u>\$ (723)</u>

A discussion about the significant components of the segment operating loss and net loss follows. Additional information regarding segment results of operations and cash flow can be found in note 21 of our financial statements for the three months ended September 30, 2010.

Manufacturing

- The manufacturing segment income relates to revenues and expenses of our manufacturing plants. Current period sales reflect additional shipments of Beralcast[®] in advance of relocating the factory in January 2011, as discussed elsewhere. The comparative period was relatively weak as we were just beginning to see the first stages of recovery from the recession.

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- Our gross profit was determined as follows:

Three months ended September 30 \$000	2010	2009
Sales	\$ 5,656	\$ 2,583
Cost of sales		
Materials	2,417	1,220
Labour	911	522
Overhead	859	418
Amortization	276	219
Change in finished goods	189	-
Total cost of sales	4,652	2,379
Gross profit	\$ 1,004	\$ 204

- Our gross profit margin in the current quarter improved compared to both the first fiscal quarter in fiscal 2010 and the quarter ended June 30, 2010, as we remedied operating and equipment problems at our Royersford facility by undertaking a reorganization of those operations. Our first quarter fiscal 2011 shows a positive trend in gross profit and operating margin for our manufacturing operations. Operating earnings before interest, income taxes and amortization was \$414,000 in the current period, which was a very significant improvement over the loss of \$30,000 in the comparative period.
- Manufacturing-related salaries and wages increased over the prior year due to additional sales and administrative staff for our copper alloys division and incremental salaries associated with our new beryllium-aluminum division. Salaries and wages include \$60,000 of severance costs in the current period.
- Expenses for the period include approximately \$70,000 in consulting fees, salaries and travel costs in support of several business development initiatives. We expect it will take several more months before activities these generate significant sales, but these costs reflect our commitment to growing IBC.

Mineral Properties

- The mineral properties loss relates to the cost of maintaining our Denver office where our staff and contractors plan and manage our mineral exploration activities. We capitalize the direct costs of finding, maintaining and exploring our mineral properties. Our expenditures on mineral property administration have increased in the last year as we plan further exploration work and wind down our Brazilian operations. We may further increase expenditures on supporting exploration activities as we continue our exploration program on the Spor Mountain property.

Corporate

- The corporate loss relates to expenses incurred to manage the overall group, including senior management, fundraising initiatives, business development activities, public company costs and any expenses not directly related to manufacturing or mineral exploration, such as our nuclear fuels initiative.
- Consulting fees consist of payments made for general corporate consulting and advice, market assessment and industry research and non-audit or accounting services. We incurred financial advisory fees of \$50,000 in the current period. We are also

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undertaking governmental relations initiatives at the corporate level that we hope will ultimately benefit our manufacturing operations.

- Investor relations expense largely comprises consulting fees paid to communicate information about us to current and prospective investors. We have increased efforts in the last year because we believe our stock price does not reflect corporate developments.
- Research primarily relates to our nuclear fuel research agreement with Purdue under which we make quarterly payments of \$76,000 (ending in June 2010) and costs related to our nuclear fuels advisory board and VP of nuclear fuels. As of the date of this report, we have completed our payment obligations under the Purdue research contract but continue to seek and industry partner to work with us on the next stage of this work.
- Management and contractor fees include fees for our CEO and CFO's services, mineral exploration management and for general office administration. Management and contractor fees increased in the current period as a result of increased use of contractors.
- Professional fees comprise audit, legal and valuation fees, other than legal fees incurred to acquire properties or for financings, which are capitalized. Current period fees increased over the prior year primarily due to legal fees in connection with defending litigation.

Other Income (Expense)

- Our manufacturing divisions incurred interest expense primarily on line of credit and term loan facilities. Further particulars of our interest charges can be found in notes 11 and 13 of our financial statements.

Income Taxes

- We did not generate sufficient income in the current period to incur a current income tax expense. The future income tax recovery relates to timing differences on long-term assets but will not result in a positive cash flow.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2010, we had working capital of \$5,229,000, including cash and equivalents of \$4,203,000, as compared to working capital of \$5,902,000 at June 30, 2010. In the current quarter, we paid down accounts payable and prepaid inventory purchases and so our non-cash working capital investment increased significantly.

Factors affecting our liquidity include:

- Our manufacturing operations, over the long-term, generate enough cash to independently support their operations. The main limitation on our cash position is the cost of maintaining our corporate office and funding exploration and research, and other development initiatives. Related to this are restrictions imposed by our banks that currently prevent us from transferring funds from our manufacturing operations to our head office. Consequently, at present, our corporate office, research and development and mineral property exploration activities are entirely dependent on our ability to raise equity funds.
- Our manufacturing subsidiaries have entered into bank loan agreements that require that they maintain a specified debt coverage ratio, debt to equity ratio and minimum tangible net worth. Failure to conform to these covenants could result in the subsidiaries' banks

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demanding immediate repayment of the loans. Customers Bank is no longer willing to continue as serve as our bank and has demanded repayment of its loans. We are working to either replace or negotiate a mutually acceptable arrangement with Customers Bank.

- We have embarked on the relocation of our beryllium-aluminum division that will require us to make a significant investment in capital plant. We initially estimated that this initiative could require cash of up to \$1,800,000. Our expenditures on the relocation were not significant to September 30, 2010 but construction is expected to get under way in the second fiscal quarter.
- Resource prices, particularly for copper, have a bearing on our manufacturing costs and selling prices, as copper is a large component of most of our products.
- The improvement in the economy that we are experiencing could result in increased working capital required as inventory and receivables increase.
- We subcontract certain manufacturing processes to suppliers. Any delays in the suppliers performing their work can result in us carrying more inventory than is desirable and slow cash collections.

Our working capital position reflects \$709,000 of debt that would be considered long-term, but has been classified as a current liability because Customers Bank has sought to end its banking relationship with us and demanded repayment of its loans.

We may be able to generate additional cash by taking advantage of unused lines of credit. We have sufficient funds to support our operations for at least 12 months but will eventually need to raise additional funds to complete our business plan. There can be no assurance that we will be successful in obtaining such funds.

RELATED PARTY TRANSACTIONS

Transactions

Particulars of our transactions with related parties are disclosed in note 18 to our September 30, 2010 financial statements. We do not have any contractual relationships with other directors or officers except that in February 2010, we renewed a premises lease with a company in which Lee Rice, one of our directors, holds an interest. The term of the lease is for one year, commencing effective February 1, 2010 and expiring on January 31, 2011 and we are required to pay monthly installments of \$875.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Our activities expose us to a variety of financial risks, including foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. We use an interest rate swap (see note 17 of our September 30, 2010 financial statements) to manage interest rate risk but we do not use foreign exchange contracts or commodity price contracts. We do not have a practice of trading derivatives. We attempt to employ a natural hedge for foreign currency by holding funds in the currency in which we expect to spend the monies.

We provide further particulars of risks associated with financial instruments in note 22 of our September 30, 2010 financial statements.

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CHANGES IN ACCOUNTING POLICIES

We are subject to new or amended accounting standards including the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1000 "General Accounting"; Section 1582 "Business Combinations", Section 1601 "Consolidations", Section 1602 "Non-controlling interests"; Section 3064 "Goodwill and Intangible Assets" and Section 3682 "Financial Instruments – Disclosures". These new accounting pronouncements are discussed in note 3 of our September 30, 2010 financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the fiscal year beginning July 1, 2011 we will commence reporting under International Financial Reporting Standards ("IFRS"). We evaluated the impact of IFRS on our financial accounting and reporting systems and are making changes so that we can begin to prepare accounting information under IFRS for comparative purposes effective July 1, 2010.

The transition from GAAP to IFRS is a significant undertaking that may materially affect our reported financial position and operations. We have appointed internal staff to lead the IFRS conversion process and plan to use a web-based service to prepare a diagnostic analysis that identifies the differences between our current accounting policies and IFRS. We expect to be IFRS compliant by July 1, 2011.

We have not yet prepared a complete IFRS changeover plan (the "IFRS Plan"), but have completed a high-level scoping study to consider the potential impact of the implementation of IFRS on our financial reporting and have begun to modify our accounting systems and financial reporting practices accordingly. IFRS will not only impact the presentation and disclosure of items in the financial statements but also the determination of future net income and the measurement of balance sheet items.

Now that we have completed our June 30, 2010 year-end, we are in the process of preparing a July 1, 2010 balance sheet in accordance with IFRS and will have that reviewed by our auditors. This opening balance sheet will form the opening position of our comparative financial statements when reporting under IFRS. Based on the high-level scoping study, the following IFRS standards are expected to have the most significant impact on us.

- IFRS 1 – First-time adoption of IFRS
- IFRS 2 – Share Based Payments
- IFRS 6 – Exploration and evaluation of mineral resources
- IAS 16 – Property, plant and equipment
- IAS 36 – Impairment of Assets

We have begun to design and build an IFRS framework, which includes decisions on available accounting policy choices, formulate policy positions and execution and roll-out of communications strategy. We plan to prepare our fiscal 2011 information in compliance with Canadian GAAP and IFRS so that we will have the necessary comparative information in the first reporting quarter of fiscal 2012.

Implementing IAS 16 – Property, plant and equipment is taking a lot of work because of the extent and complexity of our manufacturing plants. As a result, we have upgraded our equipment register software and have hired an accountant to work with our facilities staff to draw up a complete list of physical plant that reflects the different lives of each asset component. We intend to substantially complete this work in the current calendar. We have early adopted CICA Handbook Section 1582 (which governs the purchase of businesses) since this section is

equivalent to IFRS standards on business combinations. This will reduce the reconciliation work for any future business purchases that we complete before adopting IFRS. We have also expanded quantitative disclosure in our financial statements to more closely correspond to IFRS requirements.

Environmental and Occupational Safety Issues

We melt and machine materials that have the potential, if not controlled and handled appropriately, to have a negative effect on health and the environment. In addition, our operations use materials such as cutting and hydraulic fluids, which have the capacity to cause environmental contamination if left uncontained.

To mitigate these potential risks we:

- employ manufacturing practices to minimize and eliminate dispersal of fumes and dust;
- use trap basins and fluid reservoirs to capture and retrieve possible overages;
- use of active exhaust vents/hoods located in equipment areas to capture and filter air;
- regularly scheduled assessment and maintenance of in-house ventilation systems;
- require our employees to use appropriate personal protective equipment (respirators, outer garments, gloves, etc.) selected to limit and protect them from any potential exposures;
- conduct beryllium lymphocyte proliferation tests (BeLPT) to determine employees' potential for sensitivity to beryllium prior to possible exposure;
- undertake ongoing air quality monitoring and perform periodic employee health exams as per occupational health guidelines; and
- limit access to areas that may have a potential exposure to beryllium dust particles.

We believe that the steps we have taken are appropriate to control the potential risks associated with this type of industry, however we remain subject to a certain amount of risk. As with all industry, we are subject to periodic inspection by State and local safety, health and environmental authorities. If during an inspection a failing was noted in our system, the potential for the temporary or permanent closure of the facilities could exist. If during the periodic employee health screening, an employee displays elevated exposure to metals, it could require us to place the employee on sick leave, which would have the potential to impact both our direct and indirect costs and cause a disruption of production. There is also the potential that an inherent safety or environmental exposure, if uncontrolled, could initialize a suit by employees or neighbours.

To minimize the risks arising from pre-acquisition activities, we commissioned phase one environmental reviews prior to acquiring our copper alloys division businesses. It may be possible that environmental problems remain at our facilities that these phase one assessments did not uncover. Our beryllium-aluminum division operates from a facility that is recognized as having environmental issues as a result of the activities of the previous operations. These issues are not connected to the business that we acquired. We are relocating our beryllium-aluminum division to a new location as described above.

Shareholders' Equity

STOCK OPTIONS GRANTED

We have a rolling 10% stock option plan that allows for the issuance of options equal to 10% of the number of issued shares. Our stock option plan was last approved by shareholders in November 2009. We did not grant any incentive stock options in the three months ended September 30, 2010.

VANGOLD SHARE DISTRIBUTION

Vangold Resources Ltd. ("Vangold"), a company with a director and a significant shareholder in common with us, held 25,609,746 of our common shares. Under a plan of arrangement, Vangold distributed these shares to its shareholders, although the shares were placed into escrow. The distribution of the shares was effectively deferred until November 23, 2010, when all of our shares formerly held by Vangold were released from escrow. We are concerned that the release of our common shares from escrow could have a temporarily adverse effect on the market for our shares.

OUTSTANDING SHARE DATA

As at the date of this MD&A, we have issued:

- A total of 191,698,821 common shares. Of these shares, 8,468,807 common shares were released from escrow on November 23, 2010.
- Warrants to purchase 39,061,723 common shares.
- Broker warrants to purchase 4,761,764 common shares.
- Stock options to purchase 14,734,000 common shares.

The maximum number of shares potentially issuable is therefore 250,256,308.