

IBC ADVANCED ALLOYS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
Expressed in United States Dollars
Unaudited – Prepared by Management

DECEMBER 31, 2010



NOTICE TO READER

Our auditors have not reviewed these unaudited consolidated financial statements for the period ended December 31, 2010. IBC Advanced Alloys Corp.'s management prepared these financial statements in accordance with accounting principles generally accepted in Canada, consistent with previous quarters and years. You should read these unaudited consolidated financial statements in conjunction with IBC Advanced Alloys Corp.'s audited financial statements for the year ended June 30, 2010.

IBC ADVANCED ALLOYS CORP.
Consolidated Balance Sheets
(US dollars in thousands)
Unaudited – Prepared by Management

	Note	December 31, 2010	June 30, 2010
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 3,273	\$ 5,528
Receivables	5	2,758	3,167
Income taxes refundable		68	49
Inventories	6	3,507	3,835
Prepaid expenses and deposits		567	80
Total current assets		10,173	12,659
Deposits		287	53
Property, plant and equipment	7	7,496	7,534
Mineral properties	8	1,065	936
Intangible assets	9	2,760	3,117
Goodwill	10	2,154	2,154
Other assets		21	21
		\$ 23,956	\$ 26,474
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Lines of credit	11	\$ 2,792	\$ 2,601
Accounts payable and accrued liabilities	12, 18	1,693	2,934
Unearned revenue		-	115
Income taxes payable		1	46
Current portion of loans payable	13	948	1,007
Interest rate swap	17	37	54
Total current liabilities		5,471	6,757
Notes payable	13	3,000	3,000
Loans payable	13	1,431	1,473
Future income taxes		1,810	1,800
		11,712	13,030
Shareholders' equity			
Common shares	14	31,192	31,192
Contributed surplus		4,377	4,169
Broker warrants	16	523	523
Deficit		(23,848)	(22,440)
		12,244	13,444
		\$ 23,956	\$ 26,474

Ability to continue as a going concern (note 2)

Commitments and contingencies (note 19)

On behalf of the board of directors:

<u>"Dal Brynelsen"</u>	Director	<u>"Denis Brady"</u>	Director
Dal Brynelsen		Denis Brady	

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

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

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

Unaudited – Prepared by Management

	Note	Three Months Ended		Six Months Ended	
		December 31		December 31	
		2010	2009	2010	2009
Sales		\$ 4,423	\$ 3,744	\$ 10,079	\$ 6,327
Cost of goods sold	6	3,462	2,896	8,114	5,275
Gross profit		961	848	1,965	1,052
Selling, general and administrative expenses					
Abandoned claims costs		17	-	17	-
Amortization	7	127	130	261	257
Consulting fees	18	72	95	157	134
Director fees	18	38	14	59	28
Doubtful debts (recovery)		(50)	6	25	9
Investor relations		36	-	76	-
Management fees and salaries	18	687	461	1,357	838
Office and miscellaneous		208	135	400	258
Professional fees		107	72	168	104
Public company costs		25	9	46	38
Research		-	74	59	149
Site clean-up		100	-	100	-
Stock-based compensation	15	80	24	208	67
Travel, meals and entertainment		129	76	217	141
		1,576	1,096	3,150	2,023
Loss before other items		(615)	(248)	(1,185)	(971)
Other income (expense)					
Foreign exchange gain (loss)		8	(3)	22	11
Interest expense					
- On debt with an initial term of less than one year	13	(64)	(77)	(83)	(107)
- On debt with an initial term of more than one year	13	(89)	(116)	(220)	(253)
(Loss) gain on financial instruments held for trading	17	11	7	17	2
Interest income		3	-	7	-
Other income		11	23	29	33
Loss before income taxes		(735)	(414)	(1,413)	(1,285)
Income tax (expense) recovery					
Current		5	(136)	5	(136)
Future		(5)	71	-	142
		-	(65)	5	6
Loss and comprehensive loss for the period		\$ (735)	\$ (479)	\$ (1,408)	\$ (1,279)
Basic and diluted loss per common share		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding		191,698,821	115,709,480	191,698,821	115,709,480

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

IBC ADVANCED ALLOYS CORP.
Consolidated Statements of Cash Flows
(US dollars in thousands)
Unaudited – Prepared by Management

	Note	Three Months Ended December 31		Six Months Ended December 31	
		2010	2009	2010	2009
Cash flows from (used in) operating activities					
Loss for the period		\$ (735)	\$ (479)	\$ (1,408)	\$ (1,279)
Items not involving cash					
Future income taxes		(5)	(71)	(10)	(142)
Stock-based compensation	15	80	24	208	67
Non-cash payment of salaries		-	-	18	-
Doubtful debts expense		(50)	6	25	9
Amortization	7,9	472	331	908	694
Loss on financial liabilities held for trading	17	(11)	(7)	(17)	(2)
Unrealized foreign exchange gain (loss)		(8)	3	(22)	(11)
Changes in non-cash working capital items:					
Receivables		671	(961)	384	(1,132)
Income tax receivable		-	-	(19)	-
Income taxes refundable or payable		(45)	105	(45)	136
Inventories		11	353	328	359
Prepaid expenses		45	209	(488)	(41)
Accounts payable and accrued liabilities		(904)	346	(1,243)	975
Deferred income		-	-	(115)	-
Unearned revenue		-	-	-	-
Net cash used in operating activities		(479)	(141)	(1,496)	(367)
Cash flows from financing activities					
Deferred financing costs		-	(120)	-	(120)
Loan repayments	13	(52)	(44)	(102)	(101)
Convertible note proceeds		-	238	-	238
Repayment of line of credit (net)	11	(85)	(35)	191	(166)
Net cash provided by (used in) financing activities		(137)	39	89	(149)
Cash flows used in investing activities					
Deposit		-	-	(234)	-
Investment in mineral properties	8	(5)	(16)	(123)	(143)
Purchase of plant and equipment	7	(317)	(30)	(513)	(92)
Net cash used in investing activities		(322)	(46)	(870)	(235)
Foreign exchange effect on cash		8	(3)	22	11
Change in cash and cash equivalents during the period		(930)	(151)	(2,255)	(740)
Cash and cash equivalents, beginning of period		4,203	252	5,528	841
Cash and cash equivalents, end of period		\$ 3,273	\$ 101	\$ 3,273	\$ 101

Supplementary cash flow information (note 20)

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)
Unaudited – Prepared by Management

	Note	Number of Shares	Common Shares	Equity Component of Convertible Debt	Contributed Surplus	Brokers' Warrants	Deficit	Total Shareholders' Equity
At June 30, 2009		115,709,480	\$ 19,654	\$ -	\$ 3,462	\$ 483	\$ (18,323)	\$ 5,276
Acquisition of Beralcast [®] Corporation		13,261,176	2,519	-	-	-	-	2,519
Broker warrants expired	16	-	-	-	428	(428)	-	-
Fair value of conversion rights		-	-	126	-	-	-	126
Conversion of convertible note		1,845,811	384	(126)	-	-	-	258
Issuance of shares for cash	14	60,882,354	10,161	-	-	-	-	10,161
Share issue costs	14, 16	-	(1,526)	-	-	468	-	(1,058)
Stock-based compensation	15	-	-	-	279	-	-	279
Loss for the year		-	-	-	-	-	(4,117)	(4,117)
At June 30, 2010		191,698,821	31,192	-	4,169	523	(22,440)	13,444
Stock-based compensation	15	-	-	-	208	-	-	208
Loss for the period		-	-	-	-	-	(1,408)	(1,408)
At December 31, 2010		191,698,821	\$ 31,192	\$ -	\$ 4,377	\$ 523	\$ (23,848)	\$ 12,244

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)

Six months ended December 31, 2010

Unaudited – Prepared by Management

1. Organization and Basis of Presentation

Consolidation

These unaudited 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 December 31, 2010 are listed below:

Entity	Location	Principal Activity
IBC US Holdings, Inc. (“IBC US”)	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

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”). They do not include all information and disclosures required for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements of the Company for the year ended June 30, 2010.

2. 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 its main resource properties are in the United States.

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.

At December 31, 2010, the Company had not yet achieved profitable operations, had accumulated losses of \$23,848 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.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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3. 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 in the six months ended December 31, 2010, and, as a result, 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 13). At December 31, 2010, 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• Income taxes refundable
Financial liabilities, recorded at amortized cost	<ul style="list-style-type: none">• Lines of credit• Accounts payable and accrued liabilities• Income taxes payable• Notes payable• Loans payable

There were no changes to the Company's approach to capital management during the six months ended December 31, 2010.

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Notes to the Consolidated Financial Statements

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4. Cash and Cash Equivalents

	December 31, 2010		June 30, 2010	
Cash	\$	2,833	\$	4,572
Short-term deposits		440		956
	\$	3,273	\$	5,528

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

5. Receivables

Receivables comprise:

	December 31, 2010		June 30, 2010	
Trade accounts receivable	\$	2,743	\$	3,144
Allowance for doubtful accounts		(24)		(75)
Net trade accounts receivable		2,719		3,069
Other receivables		39		98
	\$	2,758	\$	3,167

6. Inventories

	December 31, 2010			June 30, 2010
	Cost	Valuation Provision	Net	
Raw materials	\$ 1,870	(92)	1,778	\$ 1,928
Work in process	842	-	842	980
Finished goods	932	(45)	887	927
	\$ 3,644	(137)	3,507	\$ 3,835

Cost of sales for the quarter ended December 31, 2010 includes a \$25 valuation provision (December 31, 2009 - \$nil). At December 31, 2010, inventories of \$3,333 (December 31, 2009 - \$nil) were pledged as collateral for bank loans (note 13)

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Notes to the Consolidated Financial Statements

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7. Property, Plant and Equipment

	Land	Machinery and Equipment	Vehicles	Leasehold Improve- ments	Furniture and Fixtures	Total
Cost						
At June 30, 2010	\$ 426	\$ 7,219	\$ 73	\$ 1,937	\$ 140	\$ 9,795
Purchases	-	212	-	267	34	513
Disposals	-	-	(30)	-	-	(30)
At December 31, 2010	426	7,431	43	2,204	174	10,278
Accumulated amortization						
At June 30, 2010	-	1,920	63	190	88	2,261
Amortization expense	-	474	1	65	10	550
Disposals	-	-	(29)	-	-	(29)
At December 31, 2010	-	2,394	35	255	98	2,782
Net book value						
At June 30, 2010	426	5,299	10	1,747	52	7,534
At December 31, 2010	\$ 426	\$ 5,037	\$ 8	\$ 1,949	\$ 76	\$ 7,496

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 9), is as follows:

	Three months ended December 31		Six months ended December 31	
	2010	2009	2010	2009
Cost of goods sold	\$ 345	\$ 201	\$ 647	\$ 437
Selling general and administrative expenses	127	130	261	257
Total amortization expense	\$ 472	\$ 331	\$ 908	\$ 694

At December 31, 2010, the Company had pledged plant and equipment held by Nonferrous and Freedom with a net book value of \$5,433 (December 31, 2009 - \$6,005) as collateral for bank loans (note 13).

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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8. Mineral Properties

	Brazil		United States		Total
	Coronel Murta	Santa Maria	Lake George (Boomer)	Spor Mountain	
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
Deferred exploration expenditures					
Administration and general	-	-	-	1	1
Consulting	-	-	-	6	6
Filing fees	-	-	-	-	-
Geological and geophysical	-	-	-	-	-
Mining research and surveying	-	-	-	9	9
Permits	-	-	61	52	113
At December 31, 2010	\$ -	\$ -	\$ 494	\$ 571	\$ 1,065

In fiscal 2010, the Company decided to focus on its United States properties and wrote off the carrying value of its Brazilian properties. The Company also relinquished certain of its Lake George mineral claims and recorded a \$70 impairment for the acquisition and deferred costs associated with these claims.

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Notes to the Consolidated Financial Statements

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9. Intangible Assets

	Trade Names	Customer Relationships	Technology	Data Library	Total
Cost					
At June 30, 2010	\$ 1,178	\$ 1,657	\$ 471	\$ 923	\$ 4,229
At December 31, 2010	1,178	1,657	471	923	4,229
Accumulated amortization					
At June 30, 2010	366	456	159	131	1,112
Amortization expense	115	168	44	30	357
At December 31, 2010	481	624	203	161	1,469
Net book value					
At June 30, 2010	812	1,201	312	792	3,117
At December 31, 2010	\$ 697	\$ 1,033	\$ 268	\$ 762	\$ 2,760

10. Goodwill

At June 30, 2010 and December 31, 2010	\$	2,154
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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 December 31, 2010, and therefore has not completed an interim impairment test for goodwill.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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11. Lines of Credit

	December 31, 2010	June 30 2010
Line of credit with Customers Bank (maximum \$2,000) at 5.85% collateralized by substantially all of Freedom's assets.	\$ 1,529	\$ 1,930
Line of credit with M&I Bank (maximum \$2,500) at one-month LIBOR plus 3.75% (4% at December 31, 2010), with a minimum rate of 5.00%, collateralized by substantially all of Nonferrous' assets.	1,263	671
	<u>\$ 2,792</u>	<u>\$ 2,601</u>

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. The Company is working to either replace or negotiate a mutually acceptable arrangement with Customers Bank.

12. Accounts Payable and Accrued Liabilities

	December 31, 2010	June 30, 2010
Trade accounts payable	\$ 923	\$ 1,975
Employee withholdings	66	-
Accrued liabilities	403	599
Other liabilities	301	360
	<u>\$ 1,693</u>	<u>\$ 2,934</u>

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

Six months ended December 31, 2010

Unaudited – Prepared by Management

13. Loans and Notes Payable

	December 31, 2010	June 30, 2010
Note payable to Customers Bank in monthly payments of \$15 including interest at 8.00% per year to August 2016, collateralized by substantially all assets of Freedom.	\$ 863	\$ 918
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 17).	1,516	1,558
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
	<u>\$ 5,379</u>	<u>\$ 5,480</u>
Financial statement presentation:		
Current portion of loans payable	\$ 948	\$ 1,007
Long-term loans payable	1,431	1,473
Notes payable	3,000	3,000
	<u>\$ 5,379</u>	<u>\$ 5,480</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 December 31, 2010 are as follows:

2011	\$ 927
2012	4,452
	<u>\$ 5,379</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. The Company has classified the long-term obligation to Customers Bank as current as the bank has demanded immediate repayment.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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

Six months ended December 31, 2010

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14. 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, 2010 - 191,698,821)

Escrow shares

As at December 31, 2010, there were no common shares escrow (June 30, 2010 – 8,468,807). The final escrow release of 8,468,807 common shares occurred on November 23, 2010

15. 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 December 2010, the Company's shareholders re-approved a 2010 stock option plan at the Company's annual general meeting.

A summary of stock option activity to December 31, 2010 is as follows:

	Stock Options Outstanding	Weighted Average Exercise Price
June 30, 2010	14,734,000	C\$0.18
Granted	-	-
Exercised	-	-
Forfeited	(500,000)	C\$0.15
December 31, 2010	14,234,000	C\$0.18

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15. Stock Options (continued)

At December 31, 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	8,555,000	2.68 years	C\$0.15	8,483,334	C\$0.15
C\$0.17	4,410,000	4.33 years	C\$0.17	1,469,994	C\$0.17
C\$0.18	400,000	4.02 years	C\$0.18	400,000	C\$0.18
C\$0.50	229,000	1.86 years	C\$0.50	229,000	C\$0.50
C\$0.51	265,000	2.35 years	C\$0.51	176,667	C\$0.51
C\$0.55	150,000	2.75 years	C\$0.55	150,000	C\$0.55
C\$0.83	225,000	2.17 years	C\$0.83	225,000	C\$0.83
	14,234,000	2.88 years	C\$0.18	11,133,995	C\$0.18

The weighted average grant-date fair value of options awarded in the six months ended December 31, 2010 was \$nil. 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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16. Warrants

	Financing Warrants		Broker Warrants	
	Warrants Outstanding	Weighted Average Exercise Price	Warrants Outstanding	Weighted Average Exercise Price
At June 30, 2010	39,061,723	C\$ 0.26	4,761,764	C\$ 0.17
Issued	-	-	-	-
Expired	-	-	-	-
Exercised	-	-	-	-
At December 31, 2010	39,061,723	C\$ 0.26	4,761,764	C\$ 0.17

At December 31, 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
-	4,261,764	C\$ 0.17	March 23, 2012
1,785,714	-	C\$ 0.17	April 16, 2012
6,834,832	-	C\$ 0.29	May 29, 2012
39,061,723	4,761,764		

17. 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 13) 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 December 31, 2010 is \$1,516. The fair value of the interest rate swap at December 31, 2010 is \$37 (June 30, 2010 - \$54).

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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18. Related Party Transactions

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

Three months ended December 31, 2010	Director or officer fees	Consulting fees	Rent	Total
Delu International Ltd. ¹	\$ 56	\$ -	\$ -	\$ 56
Lee Rice ²	20	-	2	22
S2 Management Inc. ³	45	9	-	54
Dal Brynelsen ⁴	9	-	-	9
Denis Brady ⁵	18	-	-	18
Ian Slater ⁶	9	-	-	9
Endeavour Resources Ltd ⁷	6	-	-	6
Rafael Hernandes Correa Silva ⁸	6	-	-	6
Total	\$ 169	\$ 9	\$ 2	\$ 180

Three months ended December 31, 2009	Director or officer fees	Consulting fees	Rent	Total
Delu International Ltd. ¹	\$ 33	\$ -	\$ -	\$ 33
Lee Rice ²	15	-	3	18
S2 Management Inc. ³	26	11	-	37
Dal Brynelsen ⁴	4	-	-	4
Denis Brady ⁵	4	-	-	4
Ian Slater ⁶	4	-	-	4
Endeavour Resources Ltd ⁷	-	5	-	5
Rafael Hernandes Correa Silva ⁸	-	6	-	6
Total	\$ 86	\$ 22	\$ 3	\$ 111

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18. Related Party Transactions (continued)

Six months ended December 31, 2010	Director or officer fees	Consulting fees	Rent	Total
Delu International Ltd. ¹	\$ 110	\$ -	\$ -	\$ 110
Lee Rice ²	39	-	5	44
S2 Management Inc. ³	88	14	-	102
Dal Brynelsen ⁴	18	-	-	18
Denis Brady ⁵	18	-	-	18
Ian Slater ⁶	18	-	-	18
Endeavour Resources Ltd ⁷	12	-	-	12
Rafael Hernandes Correa Silva ⁸	12	-	-	12
Total	\$ 315	\$ 14	\$ 5	\$ 334

Six months ended December 31, 2009	Director or officer fees	Consulting fees	Rent	Total
Delu International Ltd. ¹	\$ 70	\$ -	\$ -	\$ 70
Lee Rice ²	30	-	5	35
S2 Management Inc. ³	56	20	-	76
Dal Brynelsen ⁴	9	-	-	9
Denis Brady ⁵	9	-	-	9
Ian Slater ⁶	9	-	-	9
Endeavour Resources Ltd ⁷	-	11	-	11
Rafael Hernandes Correa Silva ⁸	-	12	-	12
Total	\$ 183	\$ 43	\$ 5	\$ 231

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.

As at December 31, 2010, \$21 (June 30, 2010 - \$23) is owing to directors and officers for services and \$5 (June 30, 2010 - \$28) is owing to officers for expenses paid on the Company's behalf. As disclosed in note 13, the Company owes notes payable of \$3,000 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.

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19. Commitments and Contingencies

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

Year ending June 30	
2011	\$ 4,939
2012	5,274
2013	506
2014	506
2015	378
Subsequent	2,269
	\$ 13,872

The Company is contractually committed to purchase, at December 31, 2010 prices, an aggregate of \$8,347 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	\$ 983
2012	2,109
2013	2,444
2014	2,064
2015	747
	\$ 8,347

20. Supplementary Cash Flow Information

	Three months ended		Six months ended	
	December 31		December 31	
	2010	2009	2010	2009
Cash paid for interest costs	\$ 151	\$ 150	\$ 301	\$ 327
Cash paid for income taxes	50	-	50	-
Amortization expense included in cost of sales	343	303	646	437

21. Segment Reporting

As at December 31, 2010, the Company had three reportable segments: manufacturing, mineral properties and corporate. The manufacturing segment produces beryllium copper and other specialty alloy products; the mineral properties segment manages the acquisition, exploration and development of beryllium natural resources and analysis of the Company's resource information database; 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 the Company's June 30, 2010 audited financial statements. IBC's management evaluates performance based on profit or loss from operations before other items.

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21. Segment Reporting (continued)

	Manufacturing	Mineral Properties	Corporate	R&D	Total
Three months ended December 31, 2010					
Sales to external customers	\$ 4,423	\$ -	\$ -	\$ -	\$ 4,423
Operating income (loss)	(20)	(63)	(532)	-	(615)
Amortization	455	15	2	-	472
Stock-based compensation	50	-	26	4	80
Interest income	-	-	3	-	3
Interest expense	(93)	-	(60)	-	(153)
Income tax recovery (expense)	(6)	6	-	-	-
Property, plant and equipment purchases	317	-	-	-	317
Three months ended December 31, 2009					
Sales to external customers	3,744	-	-	-	3,744
Operating income (loss)	197	(44)	(401)	-	(248)
Amortization	311	17	3	-	331
Stock-based compensation	17	-	7	-	24
Interest expense	(100)	-	(93)	-	(193)
Income tax recovery (expense)	(70)	5	-	-	(65)
Property, plant and equipment purchases	30	-	-	-	30
Six months ended December 31, 2010					
Sales to external customers	10,079	-	-	-	10,079
Operating income (loss)	(23)	(130)	(1,032)	-	(1,185)
Amortization	872	31	5	-	908
Stock-based compensation	120	-	76	12	208
Interest income	-	-	7	-	7
Interest expense	(183)	-	(120)	-	(303)
Income tax recovery (expense)	(6)	11	-	-	5
Property, plant and equipment purchases	513	-	-	-	513
Six months ended December 31, 2009					
Sales to external customers	6,327	-	-	-	6,327
Operating income (loss)	(176)	(80)	(715)	-	(971)
Amortization	655	34	5	-	694
Stock-based compensation	33	-	34	-	67
Interest expense	(207)	-	(153)	-	(360)
Income tax recovery (expense)	(5)	11	-	-	6
Property, plant and equipment purchases	\$ 90	\$ -	\$ 2	\$ -	\$ 92

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21. Segment Reporting (continued)

Total assets employed by each division are:

Total assets	December 31, 2010	June 30 2010
Manufacturing	\$ 19,365	\$ 19,712
Mineral properties	1,829	1,722
Corporate	2,762	5,040
	\$ 23,956	\$ 26,474

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

Sales	Three months ended December 31		Six months ended December 31	
	2010	2009	2010	2009
North America	\$ 3,386	\$ 2,998	\$ 6,788	\$ 5,220
Europe	142	243	458	414
Asia	895	503	2,833	693
	\$ 4,423	\$ 3,744	\$ 10,079	\$ 6,327

The following customers represented more than 10% of sales:

	December 31, 2010		December 31, 2009	
	Amount	%	Amount	%
Customer A	\$ 1,637	16.2	\$ -	-

Mineral properties, property, plant and equipment, intangible assets and goodwill	December 31, 2010	June 30, 2010
Canada	\$ 25	\$ 31
United States	13,450	13,710
	\$ 13,475	\$ 13,741

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22. 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 December 31, 2010, with other variables unchanged, a 1% increase (decrease) in the Canadian dollar would increase (decrease) net earnings by approximately \$5.

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

Balance at December 31, 2010	Canadian Dollars
Cash and cash equivalents	494
Receivables	2
Accounts payable	11

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

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22. 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 December 31, 2010, with other variables unchanged, a 1% increase (decrease) in the interest rate would increase (decrease) net earnings by approximately \$5.

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 13 for contractual undiscounted cash flow requirements for loans and notes payable as at December 31, 2010.

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23. Subsequent Event

In January 2011, the Company granted 250,000 incentive stock options, to a consultant, at an exercise price of \$0.17 for a term of five years.