

IBC ADVANCED ALLOYS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
Expressed in United States Dollars

JUNE 30, 2011



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Independent Auditors' Report

To the Shareholders
IBC Advanced Alloys Corp.

We have audited the accompanying consolidated financial statements of IBC Advanced Alloys Corp. and its subsidiaries, which comprise the consolidated balance sheets as at June 30, 2011 and 2010, and the consolidated statements of operations and comprehensive loss, cash flows, and shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of IBC Advanced Alloys Corp. and its subsidiaries as at June 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the accompanying financial statements which indicates that the company had accumulated losses to date, has entered a forbearance agreement, and is in the process of refinancing its loan facilities. These conditions, along with other matters as set forth in Note 2, raise significant doubt regarding the ability of the Company to continue operating as a going concern.

(signed) "BDO CANADA LLP"

Chartered Accountants
Vancouver, Canada
October 27, 2011

IBC ADVANCED ALLOYS CORP.
Consolidated Balance Sheets
(US dollars in thousands)
For the Year Ended June 30

	Note	2011 \$	2010 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	7,514	5,528
Receivables	7	3,756	3,167
Income taxes refundable		16	49
Inventories	8	4,571	3,835
Prepaid expenses and deposits		147	80
Total current assets		16,004	12,659
Deposits		289	53
Property, plant and equipment	9	9,606	7,534
Mineral properties	11	1,065	936
Intangible assets	12	2,261	3,117
Goodwill	13	2,154	2,154
Other assets		21	21
		31,400	26,474
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Lines of credit	14	3,051	2,601
Accounts payable and accrued liabilities	15, 22	3,282	2,934
Unearned revenue		41	115
Income taxes payable		51	46
Current portion of loans payable	16	2,172	1,007
Current portion of notes payable	16	3,000	-
Interest rate swap	20	15	54
Total current liabilities		11,612	6,757
Notes payable	16	-	3,000
Loans payable	16	-	1,473
Other long term liabilities	15	638	-
Future income taxes	21	2,215	1,800
		14,465	13,030
Shareholders' equity			
Common shares	17	38,558	31,192
Contributed surplus		4,762	4,169
Broker warrants	19	719	523
Deficit		(27,104)	(22,440)
		16,935	13,444
		31,400	26,474

Ability to continue as a going concern (note 2)

Commitments and contingencies (note 23)

Subsequent events (note 16 and 27)

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)

For the Year Ended June 30, 2011

	Note	2011	2010
		\$	\$
Sales		20,455	14,932
Cost of goods sold		16,530	12,828
Gross profit		<u>3,925</u>	<u>2,104</u>
Selling, general and administrative expenses			
Abandoned claims costs		17	-
Amortization	9	739	354
Consulting fees	22	437	182
Director fees	22	123	64
Doubtful debts		84	6
Investor relations		160	149
Office and miscellaneous		908	608
Professional fees		519	484
Public company costs		119	133
Research		107	299
Salaries, wages and management fees	22	2,708	2,160
Site clean-up		203	-
Stock-based compensation	18	585	279
Temporary plant closure		295	-
Travel, meals and entertainment		461	339
		<u>7,465</u>	<u>5,057</u>
Loss before other items		(3,540)	(2,953)
Other income (expense)			
Foreign exchange gain (loss)		61	(15)
Mineral property write-off	11	-	(718)
Other assets write-off		-	(75)
Loss on disposal of assets	9	(42)	-
Impairment of intangibles	12	(141)	-
Interest expense		(591)	(759)
Gain on financial instruments held for trading	20	39	9
Interest income		10	6
Other income		68	68
		<u>(4,136)</u>	<u>(4,437)</u>
Loss before income taxes		(4,136)	(4,437)
Income tax (expense) recovery			
Current	21	(113)	(161)
Future	21	(415)	481
		<u>(528)</u>	<u>320</u>
Loss and comprehensive loss for the year		<u>(4,664)</u>	<u>(4,117)</u>
Basic and diluted loss per common share		<u>(0.02)</u>	<u>(0.03)</u>
Weighted average number of common shares outstanding		192,771,284	132,222,776

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, 2011

	Note	2011 \$	2010 \$
Cash flows from (used in) operating activities			
Loss for the period		(4,664)	(4,117)
Items not involving cash			
Future income taxes		415	(455)
Stock-based compensation	18	585	279
Non-cash disposal of assets		42	-
Mineral property write-off		-	718
Other asset write-off		-	75
Non-cash payment of salaries		18	-
Impairment of intangibles		141	-
Doubtful debts expense		(19)	6
Amortization	9,12	1,877	1,425
Loss on financial liabilities held for trading	20	(39)	(9)
Interest paid through the issuance of shares		-	9
Unrealized foreign exchange gain (loss)		(115)	15
Accretion expense on convertible note		-	146
Changes in non-cash working capital items:			
Receivables		(570)	(1,565)
Income tax refundable		33	635
Income taxes payable		5	46
Inventories		(736)	(311)
Prepaid expenses and deposits		(67)	(35)
Accounts payable and accrued liabilities		258	1,877
Unearned revenue		(74)	115
Net cash used in operating activities		(2,910)	(1,146)
Cash flows from financing activities			
Issuance of shares, net of issue costs		7,570	9,103
Loan repayments	16	(308)	(205)
Convertible note proceeds		-	238
Line of credit proceeds		1,078	230
Repayment of line of credit	14	(628)	(608)
Net cash provided by financing activities		7,712	8,758
Cash flows used in investing activities			
Deposit		(236)	(51)
Investment in mineral properties	11	(127)	(362)
Investment in intangibles		-	(51)
Purchase of plant and equipment	9	(2,514)	(187)
Purchase of subsidiaries, net of cash acquired		-	(2,250)
Net cash used in investing activities		(2,877)	(2,901)
Foreign exchange effect on cash		61	(24)
Change in cash and cash equivalents during the year		1,986	4,687
Cash and cash equivalents, beginning of year		5,528	841
Cash and cash equivalents, end of year		7,514	5,528

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, 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		-	-	-	428	(428)	-	-
Fair value of conversion rights		-	-	126	-	-	-	126
Conversion of convertible note		1,845,811	384	(126)	-	-	-	258
Issuance of shares for cash		60,882,354	10,161	-	-	-	-	10,161
Share issue costs		-	(1,526)	-	-	468	-	(1,058)
Stock-based compensation		-	-	-	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
Shares issued for warrants		727,800	204	-	-	(80)	-	124
Private placement		44,722,222	8,213	-	-	-	-	8,213
Fair value of warrants		-	(284)	-	-	284	-	-
Share issue costs		-	(767)	-	-	-	-	(767)
Expired warrants		-	-	-	8	(8)	-	-
Stock-based compensation	18	-	-	-	585	-	-	585
Loss for the year		-	-	-	-	-	(4,664)	(4,664)
At June 30, 2011		237,148,843	38,558	-	4,762	719	(27,104)	16,935

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, 2011 and 2010

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, 2011 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
IBC Engineered Materials Corp. (formerly Beralcast [®] Corporation)	United States	Manufacturing
Rare Earths Limited, LLC ("REL")	United States	Mineral exploration

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

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 June 30, 2011, the Company had not yet achieved profitable operations, had accumulated losses of \$27,104 since inception and expects to incur further losses in the development of its business, all of which cast significant 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.

The Company's continuing operations and its ability to discharge its liabilities and fulfill its commitments as they come due, is dependent upon the continued sales of the Company's products, the support of its related parties, the ability of the Company to continue to obtain equity and debt financing and, ultimately, maintaining profitable operations at its production facilities. Management plans to continue to develop its production facilities to ensure the Company can generate sustainable, long term profitability, and obtain additional financing.

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, 2011 and 2010

2. Nature of Operations and Ability to Continue as a Going Concern (continued)

Management believes the Company will be successful at securing additional funding to provide sufficient working capital for the continued operation of its production facilities, and they will be able to continue to operate as a going concern for the foreseeable future. There can, however, be no assurance that such plans will be successful.

The Company makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development, exploration of mineral projects and marketing initiatives. Historically, the Company financed these expenditures primarily by offerings of its equity securities, as IBC had limited operating income. The Company will have further capital requirements and other expenditures as it proceeds to expand its business and take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it.

M&I Bank has agreed to rollover its debt facilities due on October 15 and the amount due on October 30, 2011 to December 15 and December 30, 2011, respectively. The Company will be required to pay such amount when due or must otherwise renegotiate the repayment terms.

The Company is no longer entitled to draw down under its existing credit facility with Sandton Credit Opportunities Fund II, LP ("Sandton") (formerly with Customers Bank), and is required to repay or refinance the M&I Bank facilities by December 15 and December 30, 2011. If the Company fails to pay or refinance its bank loans and long term debt as amounts become due, there is a risk that the Company may be subject to seizure of certain of its assets and disruption of production.

The Company can provide no assurance that it will be able to obtain financing on favorable terms or at all.

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

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

Years ended June 30, 2011 and 2010

3. 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, assessing and testing goodwill for 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, 2011 and 2010

3. 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, 2011, the allowance for doubtful accounts was \$56 (2010 - \$75).

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	over period of the lease

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, 2011 and 2010

3. 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

All trading subsidiaries maintain their accounts in United States dollars, the Company's functional currency. 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, 2011 and 2010

3. 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 2011 and 2010 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, 2011 or 2010.

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 (2010 - 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, 2011 and 2010

3. 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, 2011 and 2010, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 87,695,878 common shares (2010 - 58,557,487) 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. The Company's goodwill balance at June 30, 2010 relates to the IBC Engineered Materials Corp. (formerly Beralcast® Corporation) acquisition (notes 10 and 13). No impairment was required at June 30, 2011 or 2010 (note 10).

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, 2011 and 2010

4. 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, 2011, 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

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5. 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 has been in violation of certain covenants; Freedom's bank demanded repayment of the loans but has agreed to amended repayment terms (note 16). At June 30, 2011, 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 year ended June 30, 2011.

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6. Cash and Cash Equivalents

	2011	2010
	\$	\$
Cash	5,466	4,572
Short-term deposits	2,048	956
	<u>7,514</u>	<u>5,528</u>

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

7. Receivables

Receivables comprise:

	2011	2010
	\$	\$
Trade accounts receivable	3,757	3,144
Allowance for doubtful accounts	(56)	(75)
Net trade accounts receivable	3,701	3,069
Other receivables	55	98
	<u>3,756</u>	<u>3,167</u>

8. Inventories

	June 30, 2011			June 30,
	Cost	Valuation	Net	2010
	\$	\$	\$	\$
Raw materials	2,513	(23)	2,490	1,928
Work in process	1,556	-	1,556	980
Finished goods	585	(60)	525	927
	<u>4,654</u>	<u>(83)</u>	<u>4,571</u>	<u>3,835</u>

As of June 30, 2011 the Company recognized a \$83 valuation provision (June 30, 2010 - \$7). At June 30, 2011, inventories of \$4,571 (June 30, 2010 - \$3,835) were pledged as collateral for bank loans (note 16).

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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9. Property, Plant and Equipment

	Land	Machinery and Equipment	Vehicles	Leasehold Improve- ments	Furniture and Fixtures	Total
	\$	\$	\$	\$	\$	\$
Cost						
At June 30, 2009	426	5,338	73	1,921	135	7,893
Business acquisitions	-	1,715	-	-	-	1,715
Purchases	-	166	-	16	5	187
At June 30, 2010	426	7,219	73	1,937	140	9,795
Purchases	-	615	-	2,654	7	3,276
Disposals	-	(66)	(30)	-	-	(96)
At June 30, 2011	426	7,768	43	4,591	147	12,975
Accumulated amortization						
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
Amortization expense	-	955	-	190	17	1,162
Disposals	-	(24)	(30)	-	-	(54)
At June 30, 2011	-	2,851	33	380	105	3,369
Net book value						
At June 30, 2010	426	5,299	10	1,747	52	7,534
At June 30, 2011	426	4,917	10	4,211	42	9,606

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 12), is as follows:

Year ended June 30	2011	2010
	\$	\$
Cost of goods sold	1,138	1,071
Selling general and administrative expenses	739	354
Total amortization expense	1,877	1,425

At June 30, 2011, the Company had pledged plant and equipment held by Nonferrous and Freedom with a net book value of \$4,776 (June 30, 2010 - \$5,260) as collateral for bank loans (note 16).

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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Years ended June 30, 2011 and 2010

10. Acquisition of Subsidiary

IBC Engineered Materials Corp. (formerly Beralcast[®] Corporation)

In March 2010, the Company, through its wholly owned subsidiary IBC US, acquired all of the outstanding and issued shares of IBC Engineered Materials Corp. (formerly 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. IBC Engineered Materials Corp. 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 IBC Engineered Materials Corp. 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 estimates and certain assumptions with respect to fair value associated with the assets acquired and liabilities assumed.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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Years ended June 30, 2011 and 2010

11. 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
Mining research and surveying	-	-	-	9	9
Permits	-	-	61	52	113
At June 30, 2011	-	-	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. In the year ended June 30, 2010, 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.

In fiscal 2011, the Company contracted Fugro Airborne Surveys Corp. to complete an airborne geophysical data collection to survey the Company's beryllium claims and surrounding areas at Spor mountain. The Company also plans to analyze historical data with the objective of undertaking further geochemical, geophysical, and field geological investigations for the Lake George area.

IBC ADVANCED ALLOYS CORP.

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Years ended June 30, 2011 and 2010

12. Intangible Assets

	Trade Names \$	Customer Relationships \$	Technology \$	Data Library \$	Total \$
Cost					
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
At June 30, 2011	1,178	1,657	471	923	4,229
Accumulated amortization					
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
Amortization expense	230	336	89	60	715
At June 30, 2011	596	792	248	191	1,827
Impairment					
	-	141	-	-	141
Net book value					
At June 30, 2010	812	1,201	312	792	3,117
At June 30, 2011	582	724	223	732	2,261

During 2011, the Company determined that an impairment of the Freedom customer relationships had occurred based on customer forward orders. As a result of specific customers being lost, an impairment loss of \$141 (2010 - \$nil) was recognized.

13. Goodwill

	\$
At June 30, 2009	-
IBC Engineered Materials Corp. goodwill acquired	2,154
At June 30, 2010 and 2011	2,154

Management performed an impairment review as of June 30, 2011 and 2010 and concluded that there was no goodwill impairment required.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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Years ended June 30, 2011 and 2010

14. Lines of Credit

Year ended June 30	2011	2010
	\$	\$
Line of credit with Customers Bank (maximum \$2,000) at 5.85% collateralized by substantially all of Freedom's assets.	1,302	1,930
Line of credit with M&I Bank (maximum \$2,000) at one-month LIBOR plus 3.75% (5% at June 30, 2011), with a minimum rate of 5.00%, collateralized by substantially all of Nonferrous' assets.	1,749	671
	<u>3,051</u>	<u>2,601</u>

In addition to the collateral provided by the operating subsidiaries, IBC has guaranteed these lines of credit. In February 2011, the Company renegotiated the repayment of the Customers Bank line of credit by June 30, 2012.

Subsequent to year end, M&I Bank agreed to extend the line of credit to December 30, 2011 under substantially the same terms and conditions as above.

15. Accounts Payable and Accrued Liabilities

Year ended June 30	2011	2010
	\$	\$
Trade accounts payable	1,250	1,975
Employee holdings	66	-
Accrued liabilities	1,351	599
Other liabilities	615	360
	<u>3,282</u>	<u>2,934</u>
Other long term liabilities (a)	<u>638</u>	<u>-</u>

(a) Under the terms of the new facility lease entered into during the year, the Company received lease inducements of \$762 which are being amortized on a straight-line basis over the term of the lease. At June 30, 2011, the remaining lease inducement was \$708 (2010 - \$nil)

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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Years ended June 30, 2011 and 2010

16. Loans and Notes Payable

Year ended June 30	2011	2010
	\$	\$
Loan payable to Customers Bank has been revised to monthly payments of \$55 including interest at 8.00% per year to June 2012 (previously August 2016), collateralized by substantially all assets of Freedom.	698	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 20).	1,474	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
Loan 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>5,172</u>	<u>5,480</u>
Financial statement presentation:		
Current portion of loans payable	2,172	1,007
Long-term loans payable	-	1,473
Notes payable	-	3,000
Current portion of note payable	3,000	-
	<u>5,172</u>	<u>5,480</u>

In addition to the collateral provided by the operating subsidiaries, IBC has guaranteed the loans payable to banks. The Company has also granted security over Nonferrous shares for the note payable to the vendors.

Subsequent to year end, M&I Bank agreed to roll over the facility until December 15, 2011 under substantially the same terms and conditions as the original facilities.

IBC ADVANCED ALLOYS CORP.

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Years ended June 30, 2011 and 2010

16. Loans and Notes Payable (continued)

Contractual aggregate maturities required on notes and loans payable at June 30, 2011 are as follows:

Year ending June 30	
2012	\$ 5,172
2013	-
	<hr/>
	\$ 5,172

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 debt covenants under its loan agreements with Customers Bank and M&I Bank. In early 2010, Customers Bank demanded repayment of its loan in the original principal amount by November 23, 2010. The Company failed to pay such amount when due. Customers Bank is no longer willing to continue to serve as the Company's bank and entered into a forbearance agreement on March 11, 2011 requiring the repayment of the loan from in the principal amount of \$2,000 in full by June 30, 2012. The Company is working to replace or repay financing currently provided by Customers Bank. The Company is no longer able to draw down under its loan facility with Customers Bank and may not be able to replace its loan facilities which could result in severe working capital limitations. The Company's bank loan agreements with M&I Bank 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 not complied with certain of these covenants but has received a waiver from M&I Bank in respect thereof.

The Company is currently undertaking a refinancing of its bank loans. If it is not able to complete the refinancing by December 15 (for loan payable) or December 30, 2011 (for line of credit), or is not in compliance with the terms of the forbearance agreement, or if M&I withdraws its waiver, the Corporation may be subject to a seizure of certain of its assets and disruption of its production.

Subsequent to year end, Customers Bank assigned the rights to the line of credit and term loan to Sandton, a private investment firm. The terms and provisions of the loans have not been modified or amended as a result of the assignment.

IBC ADVANCED ALLOYS CORP.

Notes to the Consolidated Financial Statements

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Years ended June 30, 2011 and 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.

237,148,843 common shares (June 30, 2010 - 191,698,821)

Escrow shares

As at June 30, 2011, there were no common shares held in escrow (June 30, 2010 – 8,468,807). The final escrow release of 8,468,807 common shares occurred on November 23, 2010.

Share Issuances

In the year ended June 30, 2011

In June 2011, the Company closed a short-form prospectus offering for the sale of 44,722,222 units of IBC at a price of C\$0.18 per unit, raising gross proceeds of C\$8,050 (\$8,213); total offering costs were \$767. Euro Pacific Canada Inc. and Raymond James Ltd. were agents for the Company.

Each unit was priced at C\$0.18 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 \$C0.25 per common share until June 22, 2013.

The Company paid the agents a cash commission of C\$563 (\$575) in connection with the unit offering and issued an aggregate of 3,130,555 broker warrants to acquire up to 3,130,555 common shares at a price of C\$0.18 per common share until June 22, 2013. The fair value of the broker warrants was \$284, calculated using the Black-Scholes option-pricing model employing the following assumptions:

Annualized stock price volatility	111.1%
Risk-free interest rate	1.50%
Expected warrant lives	2.0 years
Dividend yield	0.0%

Other costs of issuance totaled \$191 for legal, accounting and other professional fees.

IBC ADVANCED ALLOYS CORP.

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Years ended June 30, 2011 and 2010

17. Share Capital (continued)

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.

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18. Stock Options

IBC's board of directors has adopted a rolling stock option plan, subsequently amended and approved by shareholders, 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 ten 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.

The Company previously disclosed that its stock option plan was last approved by shareholders at its annual general meeting held in December 2010. However, the Company did not have a sufficient number of shareholders at its December 2010 meeting to constitute a quorum, as the articles provide that a quorum is at least two shareholders holding 5% of IBC's issued and outstanding shares. Therefore, the resolutions passed at the Company's November 2009 meeting are still in effect, including the 2009 stock option plan.

Option Grants

During the year, the Company granted 5,540,000 incentive stock options (June 30 2010 – 5,110,000), to consultants and employees at a weighted average exercise price of \$0.19 (2010 - \$0.17) with a weighted average term of 4.7 years (2010 – 5 years).

IBC ADVANCED ALLOYS CORP.

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18. Stock Options (continued)

A summary of stock option activity to June 30, 2011 is as follows:

	Stock Options Outstanding	Weighted Average Exercise Price
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
Granted	5,540,000	C\$0.19
Exercised	-	-
Forfeited	(1,225,000)	C\$0.22
June 30, 2011	19,049,000	C\$0.18

Total stock-based compensation for the year ended June 30, 2011 of \$585 was recognized (2010 - \$279). The grant date fair value of the stock-based compensation of options granted during the year was \$870 (2010 - \$653).

At June 30, 2011, 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	8,115,000	2.18 years	C\$0.15	8,115,000	C\$0.15
C\$0.16	200,000	1.77 years	C\$0.16	200,000	C\$0.16
C\$0.17	4,600,000	3.88 years	C\$0.17	1,533,327	C\$0.17
C\$0.18	4,090,000	4.61 years	C\$0.18	1,629,996	C\$0.18
C\$0.185	600,000	4.84 years	C\$0.185	-	C\$0.185
C\$0.20	200,000	1.86 years	C\$0.20	-	C\$0.20
C\$0.26	600,000	4.90 years	C\$0.26	400,000	C\$0.26
C\$0.50	229,000	1.37 years	C\$0.50	229,000	C\$0.50
C\$0.51	40,000	1.86 years	C\$0.51	40,000	C\$0.51
C\$0.55	150,000	2.25 years	C\$0.55	150,000	C\$0.55
C\$0.83	225,000	1.67 years	C\$0.83	225,000	C\$0.83
	19,049,000	3.26 years	C\$0.18	12,522,323	C\$0.18

The weighted average grant-date fair value of options awarded in the year ended June 30, 2011 was \$0.18. The Company employed the Black-Scholes option-pricing model using the following weighted average assumptions:

	2011	2010
Annualized stock price volatility	125.16%	110%
Risk-free interest rate	2.49%	2.97%
Expected option lives	4.78 years	5.0 years
Dividend yield	0.0%	0.0%

IBC ADVANCED ALLOYS CORP.

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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, 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
Issued	22,361,111	C\$0.25	3,265,080	C\$0.18
Expired	-	-	(75,000)	C\$0.15
Exercised	-	-	(727,800)	C\$0.16
At June 30, 2011	61,422,834	C\$0.25	7,224,044	C\$0.18

At June 30, 2011, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Financing Warrants	Number of Broker Warrants	Exercise Price	Expiry Date
30,441,177	100,775	C\$ 0.25	March 23, 2012
-	3,992,714	C\$ 0.17	March 23, 2012
1,785,714	-	C\$ 0.17	April 16, 2012
6,834,832	-	C\$ 0.29	May 29, 2012
22,361,111	3,130,555	C\$ 0.18	June 22, 2013
61,422,834	7,224,044		

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 14) 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, 2011 is \$1,473. The fair value of the interest rate swap at June 30, 2011 is \$15 (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.

Subsequent to year end the Company chose not to extend the interest rate swap past October 30, 2011.

IBC ADVANCED ALLOYS CORP.

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21. Income Taxes

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

	2011	2010
Loss before income taxes	\$ (4,136)	\$ (4,437)
Expected income tax recovery	(1,137)	(1,298)
Foreign tax rate difference	(109)	(61)
Permanent differences and other	377	372
Financing costs	(193)	(68)
Effect of income tax rate changes	45	118
Adjustment for under provision in the previous year	479	-
State income taxes	153	-
Change in valuation allowance	913	617
Income tax expense (recovery)	\$ 528	\$ (320)

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

	2011	2010
Future income tax assets relating to:		
Exploration properties	\$ -	\$ 128
Share issue costs	338	229
Non-capital loss carry forwards	3,065	1,949
Inventory	299	-
Valuation allowance	(2,750)	(1,837)
Future income tax assets	952	469
Future income tax liabilities relating to:		
Plant and equipment	(2,669)	(1,468)
Intangible assets	(498)	(801)
Future income tax liabilities	(3,167)	(2,269)
Net future income tax liability	\$ (2,215)	\$ (1,800)

The Company has available for deduction against future years' taxable income non-capital losses in Canada of approximately \$7,614, which will expire up to 2031, subject to certain restrictions. The Company also has United States non-operating losses of approximately \$2,221 which expire up to 2031.

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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, 2011	Director or officer fees \$	Consulting fees \$	Rent \$	Total \$
Delu International Ltd. ¹	225	-	-	225
Lee Rice ²	78	-	11	89
S2 Management Inc. ³	89	30	-	119
Dal Brynelsen ⁴	36	-	-	36
Denis Brady ⁵	36	-	-	36
Ian Slater ⁶	36	-	-	36
Endeavour Resources Ltd ⁷	24	-	-	24
Rafael Hernandes Correa Silva ⁸	24	-	-	24
David Heinz ⁹	3	-	-	3
Total	551	30	11	592

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

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 Mr. Heinz is a director of the Company

¹⁰ Mr. Wolma is president of Nonferrous and Freedom

¹¹ Mr. Fisher was the president of Freedom until August 2010

As at June 30, 2011, \$65 (June 30, 2010 - \$23) is owing to directors and officers for services and \$9 (June 30, 2010 - \$28) is owing to officers for expenses paid on the Company's behalf. As disclosed in note 16, 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 (note 16). As of June 30, 2011, the Company has paid \$163 (June 30, 2010 - \$150) in interest expense and owes \$nil (June 30, 2010 - \$nil) in interest costs to Denis Brady.

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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23. Commitments and Contingencies

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

Year ending June 30	2011	2010
	\$	\$
2011	-	332
2012	605	562
2013	516	504
2014	514	504
2015	378	378
2016	320	-
Subsequent	1,948	
	4,281	2,280

The Company is contractually committed to purchase, at June 30, 2011 prices, an aggregate of \$8,420 (June 30, 2010 - \$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	\$
2012	3,627
2013	2,487
2014	1,537
2015	769
	8,420

The Company is also contractually committed to make payments, at June 30, 2011, pursuant to research agreements as follows:

	\$
2012	307
2013	198
	505

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24. Supplementary Cash Flow Information

	2011	2010
	\$	\$
Cash paid for interest costs	579	581
Cash paid for income taxes	75	-
Shares issued on IBC Engineered Materials Corp.acquisition	-	2,519
Lease inducement	762	-

25. Segment Reporting

As at June 30 2011, the Company had four reportable segments: manufacturing, mineral properties and corporate and research and development ("R&D"). 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, 2011 audited financial statements. IBC's management evaluates performance based on profit or loss from operations before other items.

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25. Segment Reporting (continued)

	Manufacturing	Mineral Properties	Corporate	R&D	Total
	\$	\$	\$	\$	\$
June 30, 2011					
Sales to external customers	20,455	-	-	-	20,455
Operating income (loss)	(903)	(261)	(2,201)	(175)	(3,540)
Amortization	1,805	62	10	-	1,877
Stock-based compensation	188	-	376	21	585
Impairment	141	-	-	-	141
Interest income	-	-	10	-	10
Interest expense	(351)	-	(240)	-	(591)
Income tax recovery (expense)	(567)	-	39	-	(528)
Property, plant and equipment purchases	3,273	-	3	-	3,276
June 30, 2010					
Sales to external customers	14,932	-	-	-	14,932
Operating income (loss)	(739)	(167)	(1,750)	(297)	(2,953)
Amortization	1,347	68	10	-	1,425
Stock-based compensation	158	-	91	30	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)

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25. Segment Reporting (continued)

Total assets employed by each division are:

Total assets	June 30, 2011 \$	June 30 2010 \$
Manufacturing	22,098	19,712
Mineral properties	1,799	1,722
Corporate	7,503	5,040
	31,400	26,474

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

Sales	June 30, 2011 \$	June 30, 2010 \$
North America	14,328	11,363
Europe	1,088	1,507
Asia	5,039	2,062
	20,455	14,932

The following customers represented more than 10% of sales:

	2011		2010	
	Amount \$	%	Amount \$	%
Customer A	3,494	17.2	-	-
Customer B	-	-	1,509	10.1

Mineral properties, property, plant and equipment, intangible assets and goodwill	June 30, 2011 \$	June 30, 2010 \$
Canada	25	31
United States	15,061	13,710
	15,086	13,741

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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

The Company's financial instruments classified as level 1 use quoted prices in active markets, consist of including cash and cash equivalents and interest rate swaps. The Company does not hold any financial instruments subject to level 2 or 3 fair value measurements.

Foreign Exchange Risk

Most of the Company's activities are in the United States, but the Company maintains a corporate office and conducts business in other countries from time to time. The principal foreign exchange risk exposure arises from transactions denominated in Canadian dollars.

As at June 30, 2011, with other variables unchanged, a 1% increase (decrease) in the Canadian dollar would increase (decrease) net earnings by approximately \$72 (June 30, 2010 - \$2).

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

Balance at June 30, 2011	Canadian Dollars
Cash and cash equivalents	7,312
Receivables	55
Accounts payable	312

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

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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 and is not exposed to interest rate risk.

As at June 30, 2011, with other variables unchanged, a 1% increase (decrease) in the interest rate would increase (decrease) net earnings by approximately \$12 (June 30, 2010 - \$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. The Company entered a forbearance agreement with Customers Bank on March 11, 2011 (notes 14 and 16), to allow the orderly repayment of its line of credit and loan payable.

See note 16 for contractual undiscounted cash flow requirements for loans and notes payable as at June 30, 2011.

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27. Subsequent Events

In August 2011, the Company commenced trading on the OTCQX International under the symbol IAALF.

In August 2011, the Company granted 1,625,000 incentive stock options at an exercise price of C\$0.23 each for a term of five years.

In October 2011, the Company closed a short-form prospectus financing offering (the "Offering") for the distribution of an aggregate of (i) 7,250,000 units (the "Units") (including 2,250,000 Units issued pursuant to the exercise in full of the over-allotment option) at an issue price of \$0.20 per Unit, and (ii) 10,000,000 subscription units (the "Subscription Units") pursuant to the terms of an underwriting agreement between IBC and Euro Pacific Canada Inc. ("EPC") at an issue price of \$0.20 per Subscription Unit, on a bought deal basis, for total gross proceeds of C\$3,450,000.

Each Unit consists of one common share ("Common Share") in the capital of IBC and one-half of one Common Share purchase warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder to acquire one Common Share at a price of \$0.25 for a period of 24 months from the closing date.

Each Subscription Unit consists of (i) one Unit, (ii) one half of one subscription right, with each whole right giving the holder the right, but not the obligation, to purchase one Unit at an issue price of \$0.20 per Unit on the date that is 30 calendar days from the closing date of the Offering ("Subscription Privilege One"); and (iii) one half of one subscription right, with each whole right giving the holder the right, but not the obligation, to purchase one Unit at an issue price of \$0.20 per Unit on the date that is 60 calendar days from the closing date of the Offering ("Subscription Privilege Two" and together with Subscription Privilege One, the "Subscription Privileges"). If the Subscription Privileges are exercised in full, the Company will receive aggregate gross proceeds of C\$2,000,000. There is no assurance that the Subscription Privileges will be exercised, or if exercised, would be exercised in full.

The Company intends to use the net proceeds of the Offering to strengthen IBC's balance sheet by paying down \$3,000 in notes payable (note 16). The Company intends to use the remaining funds for general working purposes.

In October 2011, the Company granted 250,000 incentive stock options at an exercise price of C\$0.19 each for a term of five years.