



IBC Advanced Alloys

**IBC ADVANCED ALLOYS CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2011**

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**IBC Advanced Alloys Corp.**  
**Management's Discussion and Analysis**  
Year Ended June 30, 2011

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*The following is a management's discussion and analysis ("MD&A") of IBC Advanced Alloys Corp. and its subsidiaries (collectively "IBC"), prepared as of October 27, 2011. This MD&A should be read together with the audited consolidated financial statements for the year ended June 30, 2011 and related notes, which are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All financial amounts are stated in United States dollars unless otherwise indicated.*

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

*Financial amounts are presented in United States dollars ("\$\$") unless otherwise indicated. Canadian dollar amounts are denoted by "C\$".*

*Additional information related to IBC is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).*

## **Our Business**

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

There are three distinct aspects to our business:

- Manufacturing - We operate four plants in the United States ("US") that manufacture, heat-treat, machine or market copper-beryllium, beryllium-aluminum, copper-based master alloys and similar specialty alloy products. Our manufacturing operations employ 84 people.
- Research – We are working on research initiatives with the goal of increasing demand for beryllium-related products. Our principal research initiative is in conjunction with Purdue University ("Purdue") and Texas A&M University to develop an enhanced nuclear fuel. This fuel is intended to operate in both current and next generation reactors but with a longer fuel life and a higher safety margin. We do not have any employees directly engaged in research.
- Mineral exploration - We own beryllium mineral properties in Utah and Colorado in the US. All of our mineral properties are either formerly operating mines or are adjacent to existing mines. We employ one person to manage our exploration program.

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

## Corporate Developments

- In the fiscal year ended June 30, 2011, we generated sales of \$20,455,000, up 37% over the comparative period in 2010. Our results of operations are discussed in further detail below.
- In October 2011, we closed a short-form prospectus offering, raising gross proceeds of C\$3,450,000. See *October 2011 Short-Form Prospectus Offering* below.
- In October 2011, we have engaged a high performance autosports materials and metallurgical consultant to assist the Company in developing and implementing a range of business and product development initiatives.
- In June 2011, we closed a short-form prospectus offering, raising gross proceeds of C\$8,050,000 (\$8,213,000). See *June 2011 Short-Form Prospectus Financing* below.
- In May 2011, Major General David Heinz joined our board as an independent director. Major General Heinz is a highly decorated retired senior U.S. Marine Corps officer whose most recent military assignment was as the Program Executive Officer (PEO) for the F-35 Lightning II program.
- In April 2011, we renewed our collaborative research agreements with both Purdue and Texas Engineering Experiment Station ("TEES"), a member institution of Texas A&M University ("Texas A&M"), to advance our beryllium oxide nuclear fuels R&D project.

## Manufacturing Operations

We currently have four manufacturing operations in the United States that employ 84 people.

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Plant Location	Building Area		Leased/ Owned
	m <sup>2</sup>	sq ft	
Franklin, IN	4,800	48,800	Owned
Royersford, PA	1,500	16,000	Leased
New Madrid, MO	2,500	26,500	Owned
Wilmington, MA	5,800	63,000	Leased

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Our manufacturing is broadly divided into bulk copper alloys and semi-finished copper alloy products and cast engineered materials.

### COPPER ALLOYS

We manufacturer and distribute a wide variety of copper alloys as castings and forgings: beryllium copper, chrome copper and aluminum bronze in plate, block, bar, rings and specialty copper alloy forgings for plastic mold tooling and resistance welding parts. We sell directly to end users and serve some markets through a network of established dealers and distributors. Our copper alloys operations are based in Franklin, Indiana, where we maintain a forging (hammer, press and ring rolling), heat-treating and machining operation. We cast billets at plants in Royersford, Pennsylvania and New Madrid, Missouri. Our Franklin plant sits on 4.8 hectares (12.0 acres) of land that has considerable room for expansion.

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

We have expertise in melting and casting beryllium copper and other beryllium containing alloys. Our casting operations are a primary producer-supplier of beryllium copper casting and master alloy ingot products in North America and markets around the world. Our copper alloys operations also manufacture beryllium nickel and low-beryllium-content beryllium-aluminum alloys. We offer our customers a full range of manufacturing and support services including casting and master alloy products, cast and forged billet products, semi-continuous cast input billets and wrought products. We manufacture our beryllium alloys utilizing either pure metallic beryllium or certified beryllium copper master alloy.

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

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

We conduct regular internal periodic health screenings and, as consequence, have identified an unacceptable condition in certain employees due to exposure to one of the elements used in the production of one of our alloys. As a result, two employees cannot work at their usual foundry jobs (down from five employees reported in our last MD&A) until a positive health screening allows them to return to their regular production assignments. We coordinated our resources to resume production of that alloy but we incurred additional costs as a consequence of the reassignments. These costs were reflected in lower gross margins, but we have not substantially returned to normal.

During the year ended June 30, 2011, we determined that certain refractory waste could not be disposed of in a landfill since it contains unacceptable metal levels. We subsequently disposed of this waste in an environmentally appropriate manner at a cost of approximately \$63,000 but have identified other site clean up to be performed and estimate that our total costs will be \$203,000.

Our New Madrid plant is located on a 2.4-hectare (6.0 acres) site approximately 250 kilometres south of St. Louis, Missouri. It has two furnaces and is capable of producing billets in a range of sizes and compositions. We are planning to upgrade this facility to make it suitable for beryllium alloy production. There is room for significant expansion of plant operations at this location.

*ENGINEERED MATERIALS*

Our engineered materials operations manufacture the Beralcast® family of metal matrices that can be used in virtually any commercial and military application requiring complex, lightweight, or high-stiffness parts. The manufacturing process is different from that employed for our copper alloys and in May 2011 we completed construction of a new manufacturing facility optimized for Beralcast® alloys. Following equipment testing, the new plant officially opened in June 2011. Due to the plant relocation, our engineered materials operations did not produce anything from the end of March to late May 2011.

In May 2011, we signed an exclusive supply contract to provide investment-cast engineered components to a global leader in the design and manufacture of high-technology assembly equipment. The customer is a highly regarded industry pioneer that has provided customers with market leading solutions and process technology expertise for decades.

Beralcast® alloys serve as a higher-performance or lower-cost replacement materials for cast aluminum, magnesium, titanium, metal matrix composites, non-metallic composites, and pure beryllium or powder metallurgy beryllium-aluminum. Some of the varied applications include disk drive armatures, automotive braking and structural components and aerospace and satellite system components.

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

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

*ULBA METALLURGICAL PLANT*

We are dependent on Ulba Metallurgical Plant ("Ulba") for our supply of vacuum-cast beryllium and beryllium copper master alloy. Ulba operates a beryllium processing and manufacturing facility and is owned by Kazatomprom, the national atomic company of Kazakhstan. We can and have in the past, however, also source beryllium from the US National Defense Stockpile and a third-party business from time to time.

In June 2011, we signed a strategic memorandum of understanding with Ulba to further advance and strengthen our relationship and to continue to target emerging opportunities in the global beryllium and rare metals market. Under the terms of the memorandum of understanding, we intend to renew and extend the multi-year binding supply agreements, described below, for both beryllium metal and beryllium master alloys, which will provide us with a consistent and reliable supply. We also agreed with Ulba to examine technological and business development initiatives for the beryllium alloys business.

In March 2010, we signed long-term beryllium supply agreements for beryllium, as well as beryllium copper master alloy, with Ulba. Under the terms of the agreements, Ulba and IBC have committed to (1) multiple-year supply commitments for beryllium metal and beryllium copper master alloys, (2) explore strategic partnerships, which may include direct or indirect investment

that will support the growth of the beryllium business for the benefit of both parties, and (3) assess the feasibility of a Kazakhstan-based high volume beryllium oxide production facility to support our growing nuclear fuels initiatives. We previously signed a letter of intent with Kazatomprom in November 2009.

For several months, we were unable to complete purchases of vacuum-cast beryllium from Ulba due to delays in securing export licences but have now reestablished shipments.

#### *OPERATING PERFORMANCE AND OUTLOOK*

Our fourth quarter operating performance was strong, although revenues were adversely affected by the relocation of our engineered material operations to a new purpose built plant. Sales of our other products increased and improvements to casting operations generated better product yields and margins. The new engineered materials plant opened in June 2011 and we expect that sales in the first quarter of fiscal 2012 will increase over our fourth quarter sales. While order backlogs remain strong, we are concerned about the medium-term sales outlook due to the uncertain outlook for the economy as a whole.

Approximately 85% of our revenues are derived from copper alloys. This proportion has increased in recent months due to strong sales of copper alloys and completion of certain engineered materials orders. The US and Canada currently account for about 70% of our sales (compared to 76% in fiscal 2010) and we are working on expanding the proportion of sales outside the US by improving our distribution network in Europe and Asia.

The price of copper increased since the depth of the recent recession until about our fiscal 2011 year end and has decreased significantly since then. We pass the cost of copper through to our customers and do not hold large inventories of copper. Accordingly our profitability is not, in the long term, affected by the price of copper except to the extent that high copper prices discourage consumption. In the short term, price fluctuations can have a bearing on our profitability, but the effect is unlikely to be material unless the price movements are very marked. We expect that our margins in the first fiscal quarter of 2012 will be adversely affected by the decline in copper price as we will have acquired copper at prices greater than can be realized in the market.

#### **Research Initiatives**

We are sponsoring and assisting in research initiatives with a view to increasing long term demand and new market opportunities for beryllium and beryllium oxide. We are currently focused on enhanced nuclear fuels but are also pursuing wind turbine and hydrogen fuel storage applications for beryllium-containing materials.

#### *NUCLEAR FUELS*

In August 2008, we signed a two-year collaborative research agreement with Purdue to advance that university's existing nuclear fuels research program and to develop a new type of beryllium oxide ("BeO") nuclear fuel that is longer lasting, more efficient and safer than current nuclear fuels. Following successful completion of this research initiative, we signed collaborative research agreements with both Purdue and TEES in April 2011 to further advance the BeO nuclear fuels project. We plan to seek joint venture opportunities to further advance the research to develop, for commercial use, an enhanced uranium oxide - beryllium oxide (UO<sub>2</sub> - BeO) nuclear fuel suitable for both existing and future nuclear power reactors.

*Previous Work*

Previous work by Purdue nuclear engineers showed that an advanced  $\text{UO}_2 - \text{BeO}$  nuclear fuel could potentially save billions of dollars annually by lasting longer and burning more efficiently than conventional nuclear fuels while at the same time dramatically impacting the demand for beryllium and beryllium oxide. In addition to the cost savings, an advanced  $\text{UO}_2 - \text{BeO}$  nuclear fuel could also contribute significantly to the operational safety of both current and future nuclear reactors due to its superior thermal conductivity and associated decrease in risks of overheating or meltdown.

Purdue led the early research into  $\text{UO}_2 - \text{BeO}$  fuel, which is intended to solve the inherent problem of low thermal conductivity of existing  $\text{UO}_2$  fuel. The low thermal conductivity leads to a large temperature gradient across the fuel pellet, which limits the operational performance of nuclear reactors due to thermal stresses that cause pellet cladding interaction and the release of fission product gases. An enhanced thermal conductivity  $\text{UO}_2 - \text{BeO}$  fuel would decrease maximum fuel temperatures and facilitate a reduction in pellet cladding interaction through lessening thermal stresses that result in fuel cracking, relocation and swelling. Additionally, fission gas release would decrease allowing for higher fuel burn-up and reactor safety would be greatly improved with a faster thermal response and less stored energy in the fuel pins. We have been advised by the Purdue professor emeritus who is guiding the research that if  $\text{UO}_2 - \text{BeO}$  nuclear materials are feasible, they would function in existing, unmodified nuclear reactors.

*IBC-Sponsored Research*

Under the terms of the agreements, IBC has an option to enter into an exclusive royalty-bearing license for commercial application to the intellectual property relating to the development of an advanced BeO nuclear fuel (the "IP") with both Purdue and Texas A&M universities. Also pursuant to the agreements, the R&D phase will not exceed 24-months with a budget to be paid by us on a quarterly installment basis.

Based on work undertaken in our 2008-2010 research agreement, Purdue filed provisional patents covering the IBC-funded nuclear fuel research, specifically, the fields of invention and technical fields being patented under the provisional filings are the design of enhanced high thermal conductivity nuclear fuel made of uranium oxide with the addition of a compatible high thermal conductivity material such as beryllium oxide using controlled microstructures in the product.

In January 2011, we received reports on the 2008-2010 phase of research and initial testing. These reports concluded that  $\text{UO}_2 - \text{BeO}$  fuel is longer lasting, more efficient and provides a larger safety margin than current nuclear fuels. The initial testing included nuclear engineering simulations and thermal modelling which successfully demonstrated the potential benefits of this fuel in light water reactor systems. The experimental and computational work carried out to date provides a solid understanding of unirradiated  $\text{UO}_2 - \text{BeO}$  behaviour and a clear path for additional work. Preliminary processing methods have been experimentally demonstrated to produce materials for validation measurements; this work will continue in the next phase along with an expanded research mandate to further validate the technology and complement the work to date. We are developing a work plan and the cost of the next phase of research.

The next phase of the R&D will involve mechanistic modeling, normal and transient modeling with Nuclear Regulatory Commission thermal-hydraulics, fuel performance and severe accident codes and experimental validation of thermal models. The project tasks will be performed between Purdue and TEES and will include neutronic analysis and BeO fuel development and characterization. At the conclusion of this phase it is anticipated that an industrial assembly of the BeO enhanced fuel will be approved for irradiation in a test reactor.

*Fuel Fabricator Partnership*

In February 2011, we signed a memorandum of understanding ("MOU") with Global Nuclear Fuel America ("GNF-A") to improve the efficiency of nuclear fuel by adding beryllium oxide. GNF is a joint venture between General Electric Company (NYSE:GE), Hitachi Ltd. and Toshiba Corporation. This is a critical development as it demonstrates interest by a leading fuel fabricator. Since we do not have fuel fabrication experience, it will be necessary for us to partner with a fuel fabricator in order to exploit the technology in development. Under the terms of the MOU, the parties have agreed to jointly complete an industry study on the application of the beryllium oxide technology to boiling water reactor ("BWR") fuel. The MOU calls for GNF to assist in study completion by applying the advanced oxide process to uranium fuel pellets produced by GNF's Wilmington fuel fabrication plant. Central to the project will be the IBC-sponsored patent pending technology for the use of BeO to improve the thermal conductivity of BWR fuel.

*Nuclear Fuels Management and Advisory Board*

James Malone is our vice president of nuclear fuels. He is former vice president of nuclear fuels for Exelon, a wholly owned subsidiary of Exelon Corp., and has more than 40 years of experience in the nuclear power industry, focused on the technical, economic and planning aspects of nuclear fuels. At Exelon, he was responsible for their nuclear fuel cycle activities, including procurement, safeguards, economics, and fuel cycle cost. Exelon operates the largest nuclear reactor fleet in the US and the third largest fleet in the world. Mr. Malone is also the board chairman of Hathor Exploration Ltd., a uranium exploration and development company.

As IBC's vice president of nuclear fuels, Mr. Malone's mandate is to foster and manage relationships with potential industry partners and government agencies to collaborate with us on our strategic initiative to develop a more efficient, safer and economically sound beryllium oxide enhanced nuclear fuel. Mr. Malone was previously appointed to IBC's nuclear fuels advisory board in August 2009 and he devotes approximately 25% of his time to IBC activities.

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

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

*WIND TURBINES*

We have teamed with Sentech, Inc., a Washington DC-based clean energy consulting company to explore the development and commercial application of beryllium and BeO in the growing wind energy and wind turbine market. There have not been any recent developments in this initiative.

*HYDROGEN FUEL STORAGE*

We entered into a six-month arrangement with Hydrogen Link, a materials research company focused on hydrogen storage, fuel cell and complementary technologies. Under the terms of the agreement, which expired December 31, 2010, we collaboratively completed an industry study on solid-state hydrogen storage cells and related applications. We are now working to identify potential industry partners and reviewing the feasibility of commercializing beryllium-based hydrogen storage with a view to forming a joint venture to improve and expand on lithium beryllium metal hydride technologies, although there have not been any recent developments in this regard.

**Mineral Exploration**

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

We plan to undertake exploration in several phases and expect to undertake most of our exploration work at our Spor Mountain property. Total exploration expenditures in the year ended June 30, 2011 were \$129,000.

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

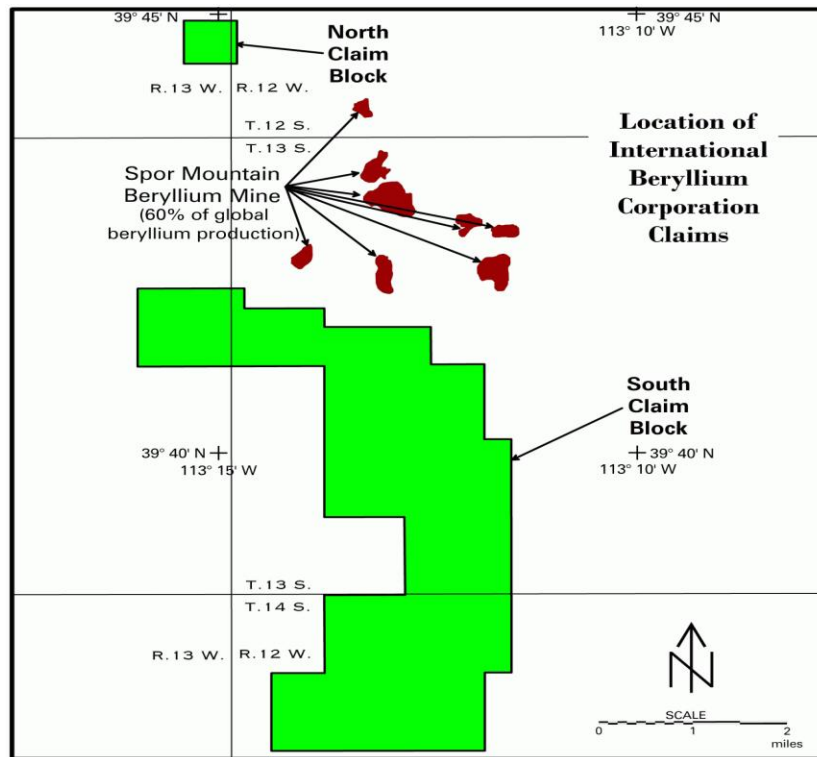
*SPOR MOUNTAIN, JUAB COUNTY, UTAH*

*Property Description and Location*

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

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*Previous History*

This property is situated in an area of known beryllium mineralization described in US Geological Survey (“USGS”) Professional Paper 415. Studies conducted by the USGS and by the US Bureau of Mines in the 1950s confirmed the occurrence of beryllium minerals throughout the area and documented the extent and grades of some of the beryllium deposits in this area and their chemical, mineralogical, and physical characteristics.

*Exploration*

Our Utah mineral claims about the mineral property of Materion Corporation (formerly Brush Engineered Materials, Inc.) (“Materion”) at Spor Mountain. Materion operates five open pit mines in this location and reports that it produced 56,000 tons of bertrandite ore in 2010 grading 0.34% beryllium. This constituted approximately 60% of world beryllium production, but Materion has not been in full production and lack of additional exploration has led to declining reserves over the last several years.

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

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

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In September 2010, Fugro Airborne Surveys Corp. ("Fugro") completed the airborne geophysical data collection portion of its contract to survey our beryllium claims and surrounding areas in Juab County. The survey area covered 72,380 hectares (178,850 acres) in 271 flight lines totalling 7,495 line kilometres (4,657 line miles) of total magnetic intensity and 256-channel radiometric data recording. Flights were carried out at an average height above terrain of 157 metres (515 feet). Fugro recorded a total of 1,060,172 total magnetic intensity readings and compiled 106,262 sets of 256-channel gamma ray energies.

Our analysis of the geophysical survey data revealed several extensive northeast-trending fracture zones that previously had not been identified or mapped because of the volcanic tuffs that blanket the prospect area. In particular, the completed data analysis identified several high interest target zones ("TZ") that will be the subject of additional work to quantify our upstream resource base. We have developed a 2011 work plan that includes drill testing and other work on these high priority targets.

Results of the radiometric survey showed a mantle of outwash material from Starvation Canyon that is otherwise indistinguishable from the volcanic tuffs of the Fish Springs Valley but covers the beryllium bearing tuffs on the southwest flank of Spor Mountain for a width of 600 metres to as much as 2,300 metres, averaging about 1,600 metres. This cover material prevents geochemical sampling and shallow drilling from revealing beryllium content in the underlying tuffs and appears to truncate the previously mined deposits on Spor Mountain.

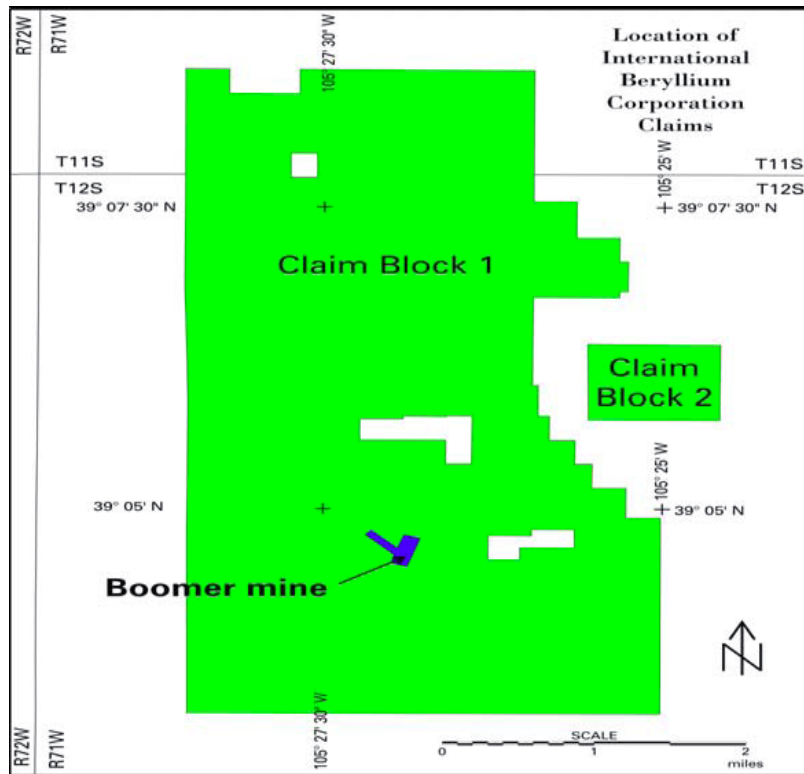
*Plan*

The magnetic intensity data clearly revealed four through-going northeast-trending fracture zones extending from the previously mined areas on Spor Mountain to the southwest into IBC's claim block. These fracture zones may have been the source as well as the locus of the ore deposits on Spor Mountain. The intercept lengths of these fracture zones on IBC's claims are 930 metres, 1,740 metres, 3,550 metres, and 6,420 metres and constitute the target areas for a 35-hole drill program.

In September 2011, we signed a contract with Layne Christensen Drilling, of Chandler, AZ, to perform a first phase drilling program that consists of up to 35 holes totalling as much as 5,250 metres of reverse circulation drilling to test target zones in the volcanic tuff and in the underlying Bell Hill Dolomite unit in the claim area immediately south of the Starvation Canyon Wash. These holes will test the presence and concentration of fluorite-bertrandite replacement of dolomite fragments as in the nearby Materion Spor Mountain mine pits and will penetrate the volcanic tuff layer to test the underlying Bell Hill Dolomite. The projected cost of the planned program is \$1.0 million. The Company expects to announce drill results in early 2012.

*LAKE GEORGE, PARK COUNTY, COLORADO*

We also own a 100% interest in the Boomer mine located in the Lake George beryllium district, a well-known area of beryllium mineralization in Park County, Colorado, USA. The property is comprised of two patented mining claims: (1) the Boomer lode and (2) the East Boomer lode constituting 20.56 acres (8.3 hectares) of land and an undivided one-third interest in the adjacent JS lode, a 9.4-acre (3.8 hectares) patented mining claim. We also own 434 mining claims (approximately 8,967 acres or 3,629 hectares) on adjacent lands that increase our Colorado interests in the Lake George district.



#### *Property Description and Location*

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

#### *Previous History*

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

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

#### *Exploration*

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

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*Plan*

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

**Financial**

*SELECTED ANNUAL INFORMATION*

During the most recent three fiscal years, we have not incurred any loss from discontinued operations or extraordinary items or declared any dividends.

	June 30		
	2011	2010	2009
	\$	\$	\$
Revenue	20,455,000	14,932,000	11,617,000
Loss for the year	(4,664,000)	(4,117,000)	(14,631,000)
Loss per share, basic and diluted	(0.02)	(0.03)	(0.14)
Total assets	31,400,000	26,474,000	17,306,000
Long-term financial liabilities	-	4,473,000	3,004,000

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The recession hurt our operations in fiscal 2009, adversely affecting our operating results. As a consequence of the weak economic outlook, we wrote off \$9,400,000 of goodwill. In fiscal 2010, sales improved as the world economy began to recover, we closed our short-form prospectus offering, raising gross proceeds of C\$10,350,000 (\$10,161,000) and acquired Beralcast<sup>®</sup> Corporation. In fiscal 2011, we closed another short-form prospectus offering, raising gross proceeds of C\$8,050,000 (\$8,213,000).

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*SELECTED QUARTERLY INFORMATION*

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

Quarter Ended	Revenue	Loss for the period	Basic and diluted loss per share
	\$000	\$000	\$
September 30, 2009	2,583	(800)	(0.01)
December 31, 2009	3,744	(479)	(0.00)
March 31, 2010	4,034	(798)	(0.01)
June 30, 2010	4,571	(2,040)	(0.01)
September 30, 2010	5,656	(673)	(0.00)
December 31, 2010	4,423	(735)	(0.00)
March 31, 2011	5,270	(883)	(0.00)
June 30, 2011	5,106	(2,373)	(0.01)

Our quarterly losses in fiscal 2009 got better as the improving economy benefited our operating results. Period-to-period variations in earnings were primarily due to production issues at our operating facilities. Our loss for the quarter ended June 30, 2010 was adversely affected by operating problems at our Royersford plant, which we subsequently addressed, and by mineral property impairments totalling \$718,000. Sales improved following our acquisition of Beralcast<sup>®</sup> Corporation (which now forms the basis of our engineered materials operations).

Our loss for the quarter ended September 30, 2010 significantly decreased compared to the prior period's loss, which included impairment costs and expenses associated with the year-end audit. Our operating results improved at our manufacturing operations in the first quarter, which has helped offset any losses. Our loss for the quarter ended December 31, 2010 increased slightly with expenses relating to improvements at our manufacturing operations; however. Our loss for the quarter ended March 31, 2011 further increased due to a combination of lower gross margins and increased manufacturing overhead associated with specific issues discussed below. In the June 30, 2011 quarter we incurred costs associated relocating our engineered materials plant and increased amortization expense associated with our new facility. We also awarded stock options and incurred year-end audit accruals.

*RESULTS OF OPERATIONS - ANNUAL*

We incurred a loss of \$4,664,000 for the year ended June 30, 2011 compared to a loss of \$4,117,000 in the comparative 2010 period. The most significant factor affecting our operating performance was that revenues have increased 37% from the comparative year, due to the acquisition of our engineered materials operations and strong sales of copper alloys.

Our loss before other items ("operating loss") for the year ended June 30, 2011 was \$3,540,000 compared to an operating loss of \$2,953,000 in the comparative 2010 period. As a result of increased sales and better plant operations, our gross profit improved significantly. The full benefit of the higher gross profit is not reflected in the operating loss because we have continued to invest in growth, particularly:

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- increased in-house business development activities including staff and travel to prospective customers and trade shows;
- business development and investor communications consultants;
- additional overhead resulting from the purchase of our engineered materials operations in March 2010; and
- overhead costs incurred during the period that our engineered material operations were shut down while we relocated the plant.

We have also incurred additional costs relating to the relocation of our engineered materials operations to a new plant, expenses associated with travel and consulting and professional fees to secure export licenses for beryllium and clean-up costs at our Royersford facility.

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

Year ended June 30	2011	2010
	\$	\$
<i>Segment revenues</i>		
Manufacturing	20,455,000	14,932,000
Mineral properties	-	-
Corporate	-	-
Total revenues	<u>20,455,000</u>	<u>14,932,000</u>
<i>Segment operating loss</i>		
Manufacturing	(903,000)	(739,000)
Mineral properties	(261,000)	(167,000)
Research	(175,000)	(297,000)
Corporate	(2,201,000)	(1,750,000)
Loss before other items	<u>(3,540,000)</u>	<u>(2,953,000)</u>

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A discussion about the significant components of the segment operating loss and net loss follows. Additional information regarding segment results of operations and cash flow can be found in note 25 of our financial statements for the year ended June 30, 2011.

*Manufacturing*

- The manufacturing segment income relates to revenues and expenses of our manufacturing plants. Fiscal 2011 included ten months of engineered material operations (i.e. excluding the two-month period that we relocated the plant) while fiscal 2010 only included three months.
- Our manufacturing operations as a whole are operating below capacity but have significant amortization charges (particularly for our new Wilmington, MA plant), so while we report an operating loss, the cash flow performance of our manufacturing operations is significantly better.

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- Our gross profit was determined as follows:

Year ended June 30	2011	2010
	\$	\$
Sales	20,455,000	14,932,000
Cost of sales		
Materials	9,486,000	7,495,000
Labour	3,031,000	2,749,000
Overhead	3,310,000	2,274,000
Amortization	930,000	959,000
Change in finished goods	(227,000)	(649,000)
Total cost of sales	16,530,000	12,828,000
Gross profit	3,925,000	2,104,000

- Our gross profit margins in the year ended June 30, 2011 continued to be adversely affected by operating problems at our Royersford facility, but the fourth quarter was better as our operational improvements took effect.
- We incurred overhead costs of \$295,000 in fiscal 2011 associated with maintaining our engineered materials operations while the plant was relocated. This is a non-recurring cost.
- In fiscal 2011, we accrued a \$203,000 provision for cleanup of our Royersford facility, as discussed elsewhere in this MD&A.
- Manufacturing-related salaries and wages increased over the prior year due to additional sales and administrative staff for our copper alloys operations and incremental salaries associated with our engineered materials operations. In addition, salaries and wages include \$117,000 of severance costs.

*Mineral Properties*

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

*Research*

- Research primarily relates to our nuclear fuel research agreement with Purdue under which we made quarterly payments of \$76,000 up until June 2010 and the direct costs of administering our research initiative. Pursuant to the research agreements signed in April 2011 with Purdue and Texas A&M, we are required to make quarterly payments of \$66,000 until February 2013.

*Corporate*

- The corporate loss relates to expenses incurred to manage the overall group, including senior management, fundraising initiatives, business development activities, public

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company costs and any expenses not directly related to manufacturing or mineral exploration.

- Consulting fees consist of payments made for general corporate consulting and advice, market assessment and industry research and non-audit or accounting services. We incurred financial advisory fees of \$48,000 earlier the current fiscal year. We are also undertaking governmental relations initiatives at the corporate level that we hope will ultimately benefit our manufacturing operations.
- Investor relations expense largely comprises consulting fees paid to communicate information about us to current and prospective investors. We have advanced our business plan in the last year and, accordingly, have incurred higher expenses to communicate these developments. Salaries, wages, and management fees include the cost of company personnel other than the cost of manufacturing employees included in the cost of sales. Salaries and management fees increased in the current period as a result of the 2010 purchase of our engineered materials operations, hiring sales and marketing personnel and unfavourable exchange rate changes on Canadian dollar compensation.
- Professional fees comprise audit, legal and valuation fees, other than legal fees incurred to acquire properties or for financings, which are capitalized. Current period fees increased over the prior year primarily due to legal fees in connection with defending litigation, reaching agreement with Customers Bank regarding our loan obligations and representing us on import and export license issues. We settled one piece of litigation in the second fiscal quarter and another legal action in the third quarter. We expect that professional fees will return to historical levels in future periods.
- Travel costs increased as a result of business development initiatives, ongoing efforts to form alliances with industry partners and resolving export license issues.

*Other Income (Expense)*

- Our manufacturing operations incurred interest expense primarily on line of credit and term loan facilities. Further particulars of our interest charges can be found in notes 14 and 16 of our financial statements.
- We conducted an impairment review of our intangible assets at June 30, 2011 and wrote down \$141,000 of the value of acquired customer lists.

*Income Taxes*

- In spite of our operating losses, we incurred some current income tax expense. The future income tax recovery relates to timing differences on long-term assets but will not result in a positive cash flow.

*RESULTS OF OPERATIONS – FOURTH QUARTER*

The operating performance of our manufacturing operations improved in the fourth quarter with sales of \$5,106,000 (compared to \$4,571,000 in the fourth quarter of fiscal 2010) even though our engineered materials operations were closed for two months. Gross profit of \$1,099,000 was improved both over the prior quarter (\$861,000) and the comparative quarter (\$394,000).

Our operating expenses increased significantly in the fourth quarter. Amortization expense increased by 165%, largely because we opened our new Wilmington facility. There were some operating expenses that were different from our normal course expenditures including travel, consulting and professional fees associated with establishing a long-term supply contract, travel

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associated with our June 2011 short-term prospectus offering and the awarding of stock options to directors, employee and contractors.

*LIQUIDITY AND CAPITAL RESOURCES*

At June 30, 2011, we had working capital of \$4,392,000 including cash and equivalents of \$7,514,000, as compared to working capital of \$5,902,000 at June 30, 2010. The decline in working capital has been adversely affected by certain term debt becoming current in the period as discussed below. Factors affecting our liquidity include:

- Our established copper alloys manufacturing operations generate enough cash to independently support their operations. Our engineered materials operations depend on generating new business to generate positive cash flow. The main limitation on our cash position is the cost of maintaining our corporate office and funding exploration and research and other development initiatives. Related to this are restrictions imposed by our banks that currently prevent us from transferring funds from our manufacturing operations to our head office. Consequently, at present, our corporate office, research and development and mineral property exploration activities are entirely dependent on our ability to raise equity funds.
- Our manufacturing subsidiaries have entered into bank loan agreements that require that they maintain a specified debt coverage ratio, debt to equity ratio and minimum tangible net worth. Failure to conform to these covenants could result in the subsidiaries' banks demanding immediate repayment of the loans. Customers Bank, which lends to our Royersford operations, demanded repayment of its loans. In March 2011, we entered into a forbearance agreement that resulted in accelerated loan payments and an obligation to repay all debts to Customers Bank by June 30, 2012, but the obligation to immediately repay our bank loans was withdrawn. In September 2011, Customers Bank sold its loans to Sandton Credit Opportunities Fund II, LLP, but we do not expect that this transaction will have any effect on us. We would like to expand our existing credit facility with M&I Bank to cover our Royersford operations but there can be no assurance that we will be successful in doing so.
- On October 31, 2011, the \$3,000,000 debt relating to the purchase of Nonferrous will mature. We expect to pay this loan from the proceeds of our October 2011 equity offering (see *Short-Form Prospectus Offering* below).
- Our bank loans due to M&I bank are due December 15, 2011 and December 30, 2011. We intend to refinance this debt with M&I Bank and have commenced discussions to do so.
- Resource prices, particularly for copper, have a bearing on our manufacturing costs and selling prices, as copper is a large component of most of our products.
- The improvement in sales we are experiencing has resulted in additional working capital requirements as inventory and receivables increase. We have partially financed this working capital from bank loans, but such bank borrowings may not be available to us.
- We subcontract certain manufacturing processes to suppliers. Any delays in the suppliers performing their work can result in us carrying more inventory than is desirable and slow cash collections.

We may be able to generate additional cash by taking advantage of unused lines of credit. We will need to raise additional funds to complete our business plan. There can be no assurance that we will be successful in obtaining such funds.

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*RELATED PARTY TRANSACTIONS*

*Transactions*

Particulars of our transactions with related parties are disclosed in note 22 to our June 30, 2011 financial statements. We do not have any contractual relationships with other directors or officers except that in February 2010, we renewed a premises lease with a company in which Lee Rice, one of our directors, holds an interest. The term of the lease was for one year, commencing expiring on January 31, 2011. We are currently leasing this office on a month-to-month basis.

*FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS*

Our activities expose us to a variety of financial risks, including foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. We use an interest rate swap (see note 20 of our June 30, 2011 financial statements) to manage interest rate risk but we do not use foreign exchange contracts or commodity price contracts. We do not have a practice of trading derivatives. We attempt to employ a natural hedge for foreign currency by holding funds in the currency in which we expect to spend the monies.

We provide further particulars of risks associated with financial instruments in note 26 of our June 30, 2011 financial statements.

*CHANGES IN ACCOUNTING POLICIES*

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

*INTERNATIONAL FINANCIAL REPORTING STANDARDS*

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

The transition from GAAP to IFRS is a significant undertaking that may materially affect our reported financial position and operations. We working through an IFRS conversion process and expect to be IFRS compliant by July 1, 2011. IFRS will not only impact the presentation and disclosure of items in the financial statements but also the determination of future income and the measurement of balance sheet items. Over the course of the last two years, we have revised the presentation of our financial statements to more closely correspond to the requirements of IFRS.

We are preparing a July 1, 2010 balance sheet in accordance with IFRS that will form the opening position of our comparative financial statements when reporting under IFRS. We believe that the following IFRS standards will have the most significant impact on us:

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

- IAS 36 – Impairment of Assets

We have substantially completed our IFRS planning including decisions on accounting policy choices, policy positions and execution and our communications strategy. Implementing IAS 16 – Property, plant and equipment is taking a lot of work because of the extent and complexity of our manufacturing plants. As a result, we have upgraded our equipment register software and have hired an accountant to work with our facilities staff to draw up a complete list of physical plant that reflects the different lives of each asset component. We early-adopted CICA Handbook Section 1582 (which governs the purchase of businesses) since this section is equivalent to IFRS standards on business combinations. This will reduce the reconciliation work for any future business purchases that we complete before adopting IFRS. We have also expanded quantitative disclosure in our financial statements to more closely correspond to IFRS requirements.

We are currently working on our July 1, 2010 transition balance sheet, which we will have audited in conjunction with our year-end. A significant part of the IFRS conversion relates to amending our fiscal 2011 financial statements to conform to IFRS and, in particular, to recalculating amortization of plant and equipment and stock-based compensation in accordance with our IFRS accounting policies. We are working on the necessary analysis and expect to complete it prior to the first quarter of fiscal 2012.

### **Environmental and Occupational Safety Issues**

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

To mitigate these potential risks we:

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

We have improved our materials handling procedures but, as discussed in more detail under *Manufacturing Operations – Copper Alloys* above, routine blood testing has revealed that certain employees have blood levels of a certain metal that are above acceptable levels. Accordingly two employees are not working in their normal job functions (down from five reported in our last MD&A). We believe that these problems are the result of old procedures and that the steps we have taken are appropriate to control the future potential risks associated with this type of industry, however we remain subject to a certain amount of risk.

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

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

## **Shareholders' Equity**

### *JUNE 2011 SHORT-TERM PROSPECTUS OFFERING*

In June 2011, we closed a short-form prospectus offering, raising gross proceeds of C\$8,050,000 (\$8,213,000). Euro Pacific Canada Inc. and Raymond James Ltd. acted as agents for the Company with respect to the sale of 44,722,222 units at a price of C\$0.18 per unit, including a 15% over-allotment provision.

Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of IBC for a price of C\$0.25 per common shares until on June 22, 2013. We paid the agents a cash commission of C\$563,500 in connection with the unit offering and issued warrants to acquire up to 3,130,555 common shares at a price of C\$0.18 per common share until June 22, 2013.

### *OCTOBER 2011 SHORT-FORM PROSPECTUS OFFERING*

In October 2011, we raised gross proceeds of C\$3,450,000 through a short-form prospectus offering of:

- 5,000,000 units and an allotment of 2,250,000 units at an issue price of C\$0.20 per unit; and
- 10,000,000 subscription units at an issue price of C\$0.20 per subscription unit.

Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.25 until October 25, 2013.

Each subscription unit consists of (a) one unit, (b) 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 C\$0.20 per unit on November 24, 2011 ("Subscription Privilege One"); and (c) 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 C\$0.20 per unit on December 24, 2011 ("Subscription Privilege Two" and together with Subscription Privilege One, the "Subscription Privileges"). If the Subscription Privileges are exercised in full, we will receive additional gross proceeds of C\$2,000,000, but there is no assurance that the Subscription Privileges will be exercised in part or in full.

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We intend to use the net proceeds of the offering to strengthen IBC's balance sheet by paying down notes payable. In the event the Subscription Privileges are exercised in part or in full, the Company intends to apply the proceeds to working capital and to purchase inventory.

*SHARE PURCHASE WARRANTS*

In the year ended June 30, 2011, warrant holders exercised warrants to purchase 524,000 common shares and 49,500 share purchase warrants exercisable at C\$0.25 for gross proceeds of \$80,560. In May 2011, warrants to purchase 75,000 common shares at \$0.15 per share expired unexercised.

In August 2011, warrant holders exercised warrants to purchase 30,000 common shares and 15,000 share purchase warrants exercisable at C\$0.25 for gross proceeds of \$5,100.

*STOCK OPTIONS*

We have a rolling 10% stock option plan that allows for the issuance of options equal to 10% of the number of issued shares. Our stock option plan was last approved by shareholders in November 2009. We held an annual general meeting in December 2010, but did not have the appropriate quorum for the meeting to be valid; therefore, the stock option plan presented to shareholders at that meeting was not approved. In the year ended June 30, 2011, 1,225,000 stock options held by employees who are no longer employed by us lapsed.

In January 2011, we granted 250,000 incentive stock options to a consultant at an exercise price of C\$0.17 until January 14, 2016.

In March 2011, we granted 3,690,000 incentive stock options to officers, directors, consultants and employees at an exercise price of C\$0.18 until March 21, 2016.

In April 2011, we granted 200,000 incentive stock options to a consultant at an exercise price of C\$0.16 until April 6, 2013.

In May 2011, we granted 600,000 incentive stock options to an employee at an exercise price of C\$0.185 until May 2, 2016.

In May 2011, we granted 200,000 incentive stock options to an investor relations consultant at an exercise price of C\$0.20 until May 20, 2013.

In May 2011, the Company granted 200,000 incentive stock options to a consultant, at an exercise price of C\$0.26 for a term of five years.

In May 2011, the Company granted 400,000 incentive stock options to a director at an exercise price of C\$0.26 for a term of five years.

In August 2011, the Company granted 1,625,000 incentive stock options to officers, directors, consultants and employees at an exercise price of C\$0.23 until August 30, 2016.

In October 2011, the Company granted 250,000 incentive stock options to a consultant at an exercise price of C\$0.19 until October 5, 2016.

*OUTSTANDING SHARE DATA*

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

- A total of 254,428,843 common shares.
- Warrants to purchase 70,047,834 common shares.
- Subscription rights to purchase 10,000,000 common shares.

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- Broker warrants to purchase 8,589,044 common shares.
- Stock options to purchase 21,024,000 common shares.

The maximum number of shares potentially issuable is therefore 364,089,721.