

**IBC ADVANCED ALLOYS CORP.**  
(FORMERLY INTERNATIONAL BERYLLIUM CORPORATION)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2009**

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## **IBC Advanced Alloys Corp.**

(Formerly International Beryllium Corporation)

### **Management's Discussion and Analysis**

Year Ended June 30, 2009

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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 19, 2009. This MD&A should be read together with the audited consolidated financial statements for the year ended June 30, 2009 and related notes, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in United States dollars unless otherwise indicated.*

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

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

## **Our Business**

We focus on the exploration, development and manufacturing of advanced alloys, in particular beryllium, beryllium oxides and beryllium master alloys. 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 extensively in the cooling systems for nuclear reactors and as a shield and moderator in nuclear reactors and can be used in its pure form or combined with other metals to form unique alloys for essential applications for the nuclear, aerospace, medical, automotive, electronic and defense industries. Our head office is located in Vancouver, Canada.

There are three distinct aspects to our business:

- **Manufacturing** - We operate three plants in the United States that manufacture, heat-treat, machine and market copper-beryllium, copper-based master alloys and similar specialty alloy products. Our manufacturing divisions employ 55 people.
- **Research** – We have teamed with Purdue University ("Purdue") and Texas A&M University to develop an enhanced nuclear fuel intended to operate in today's reactors but with a longer fuel life and a higher safety margin. We do not have any employees directly engaged in research.
- **Mineral exploration** - We own beryllium properties in Utah and Colorado in the United States and beryllium properties in Brazil. All of our mineral properties are either (1) formerly operating mines or (2) adjacent to sites that are, or have been, mines.

We were incorporated under the laws of British Columbia on December 11, 2002 as 659975 BC Ltd. and, on November 10, 2003, we changed our name to Janina Resources Limited. On November 23, 2007, operating as Janina Resources Limited, we completed a business amalgamation with Horn Rare Metals Ltd. ("HRM"). The transaction was a reverse takeover ("RTO") of us by HRM. In connection with the RTO, we changed our name from Janina Resources Limited to International Beryllium Corporation. On March 2, 2009, we again changed our company name to "IBC Advanced Alloys Corp." The new company name reflects our focus on production of advanced alloys as part of our strategy of becoming a vertically integrated specialty alloy producer.

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#### **Corporate Developments**

- In September 2009, we engaged Renmark Financial Communications to provide investor relations services.
- In August 2009, we appointed James P. Malone, vice president of nuclear fuels for Exelon Generation ("Exelon"), a wholly owned subsidiary of Exelon Corp., to the IBC nuclear fuels advisory board. Mr. Malone 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 is responsible for their nuclear fuel cycle activities, including procurement, safeguards, economics, and fuel cycle cost. Exelon operates the largest nuclear reactor fleet in the nation and the third largest fleet in the world. Exelon's ten stations, with 17 reactors, represent approximately 20% of the US nuclear industry's power capacity.
- In July 2009, we appointed Joel Gingold, an independent nuclear fuel consultant, to the IBC nuclear fuels advisory board. Mr. Gingold's career has focused principally on all aspects of nuclear fuels. In 2005, he retired as vice president and general manager of Stoller Nuclear Fuel Division of NAC International where he worked on nuclear fuel fabrication and fuel performance matters for utilities, industry associations and government agencies. Prior to NAC's acquisition of Stoller Nuclear Fuel in 1997, Mr. Gingold served as vice president of Stoller Corporation and manager of its nuclear fuel division and served on Stoller's board of directors.
- In May 2009, we extended, with TSX Venture Exchange (the "Exchange") approval, the term of 6,834,832 financing warrants exercisable at C\$0.29 from May 29, 2009 to May 29, 2010.
- In May 2009, we closed a non-brokered private placement, and issued 8,333,333 common shares at a price of C\$0.15 per share for gross proceeds of C\$1,250,000 (approximately \$1,000,000). We paid finder's fees of C\$60,000 in cash and issued 500,000 warrants with an exercise price of C\$0.15.
- In April 2009, we signed a memorandum of understanding with Kazatomprom, the national atomic company of Kazakhstan, and its subsidiary Ulba Metallurgical Plant ("Ulba"), a beryllium and master alloy processing facility. The memorandum outlines a framework to develop a strategic relationship in regards to the beryllium market.
- In April 2009, we acquired, through our wholly owned subsidiary Nonferrous Products, Inc., Specialloy Copper Alloys, LLC ("Specialloy"), a master and specialty alloy manufacturer and processing company in a non-arm's length, cash-only transaction. We previously signed a definitive agreement with Specialloy in March 2009. See *Acquisition of Specialloy* below.
- In April 2009, Ian Slater joined our board of directors as an independent director. Mr. Slater is a Chartered Accountant and has most recently served as the CEO and a director of Fortress Minerals, an Exchange-listed gold exploration and development company. Prior to this, Mr. Slater was the managing partner of Ernst & Young's Canadian mining practice and also served as a partner with Arthur Andersen LLP where he lead their Central Asian mining practice focusing on regions such as Kazakhstan and Russia. Mr. Slater is the CEO and a founding director Slater Mining Corporation, an Exchange listed mining company.

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- In April 2009, our wholly owned subsidiary Freedom Alloys, Inc. ("Freedom") signed a long-term contract to supply a well-known global copper and industrial metals company. We will exclusively supply our customer with an advanced copper alloy for specific use in a variety of aerospace, electronic and automotive applications.
- In February 2009, we engaged IJT Enterprises Ltd. to provide investor relations services and appointed its founder, Ian Tootill, as our director of corporate communications.
- In November 2008, Denis Brady joined our board of directors. Until its recent acquisition by us, Mr. Brady was the president, CEO and majority shareholder of Nonferrous Products, Inc., a wholly owned operation subsidiary of NF Industries, Inc. (collectively "Nonferrous"). Mr. Brady is also the principal owner of an aerospace forge manufacturing complex, Mattco Forge, Inc. ("Mattco"), located in Paramount, California. Mattco serves the global aircraft engine market with aluminum, inconel and titanium rings and components. Prior to purchasing Nonferrous and Mattco in the 1990s, Mr. Brady was the CFO, and on the board of directors, of an NYSE-listed mining and manufacturing company. Earlier in his career, he was the vice president and treasurer of The Hertz Corporation and has held other senior banking and financial positions. He has an MBA from Columbia University and a BA from Fordham University.
- In October 2008, we acquired Nonferrous in an arm's length transaction. Nonferrous is a specialty alloy processing company and manufacturer of forged copper, beryllium copper and bronze alloys. We previously signed a definitive agreement with Nonferrous in September 2008.
- In August 2008, we signed a collaborative research agreement with Purdue to advance the university's existing nuclear fuels research program and to develop a new type of beryllium oxide nuclear fuel that is longer lasting, more efficient and safer than current nuclear fuels.

### **Manufacturing Operations**

We currently have three manufacturing operations in the United States that employ a total of 55 people. As stated above, we acquired these operations in May and October 2008 and in April 2009 and have integrated them into a single business unit.

Our manufacturing operations are currently rely on a single supplier (Ulba) for substantially all of beryllium, which is a component of approximately 80% of our sales. As described above, we have signed a letter of intent with Ulba and its parent company to form a strategic relationship regarding beryllium supply.

#### *NONFERROUS DIVISION*

In October 2008, we acquired all of the issued and outstanding shares of Nonferrous, a manufacturer of forged copper, beryllium copper, and bronze alloys based in Franklin, Indiana. We paid \$9,541,000 made up of \$6,000,000 in cash, \$3,000,000 in vendor debt bearing interest at 8% and with a three-year term and 3,000,000 common shares with a transaction date value of C\$0.19 per share (based on a volume-weighted average price in the period either side of the acquisition date). We also incurred acquisition-related costs of \$82,000. Our Nonferrous division's manufacturing infrastructure and processes are complementary to Freedom's and suitably integrate into our manufacturing value chain.

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Nonferrous sources multiple copper alloys in cast billet, slab or ingot from mills in North America and Asia and converts these into usable industrial products serving the industrial welding, oil and gas, plastic mold, metal melting, marine defense, electronic and industrial equipment markets. Nonferrous also provides 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.

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

*FREEDOM DIVISION*

Our Freedom division is based in Royersford, Pennsylvania where it was founded in 1994 by its current management team, which had previous senior management and technical experience in the beryllium casting and marketing industry at Brush Engineered Metals, Inc. ("Brush") (NYSE:BW) and NGK USA. Freedom's core expertise is melting and casting beryllium copper and other beryllium containing alloys and serving the end user market. Freedom is a primary producer-supplier of beryllium copper casting and master alloy ingot products in North America and markets around the world. Freedom also manufactures beryllium nickel and beryllium aluminum alloy products.

Freedom's facility has three furnaces that have been adapted to meet the specialized requirements of beryllium alloy manufacturing. Freedom has strong technical and manufacturing engineering resources in the highly specialized beryllium and beryllium containing alloy industry, which has allowed Freedom 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 a world class 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.

Freedom offers its 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. Freedom manufactures its beryllium alloys utilizing either pure metallic beryllium or certified beryllium copper master alloy. We acquired Freedom in May 2008.

*ACQUISITION OF SPECIALLOY*

In April 2009, we acquired 100% of the membership interests of Specialloy, a specialty alloy manufacturer and processing company. The acquisition was a non-arm's length transaction as Denis Brady, a director of IBC, held a majority membership interest in Specialloy.

We, through Nonferrous, acquired the title in and membership interests of Specialloy held by Denis Brady and Billie D. Gray (the "Vendors"). IBC paid an aggregate cash consideration of \$25,000 to the Vendors in conjunction with the closing of the transaction. In connection with the membership interest and purchase sale agreement, Nonferrous signed an exchange agreement with Specialloy whereby Specialloy converted \$450,000 of debt owed to Nonferrous to membership interests. The aggregate value ascribed to Specialloy is therefore \$475,000. Immediately prior to the transaction, Denis Brady forgave \$99,150 owed to him by Specialloy

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and Nonferrous exchanged its debt due to it for IBC to hold a 100% membership interest in Specialloy.

Specialloy has operated since 1952 and manufactures and processes a range of copper master alloy, used by foundries to produce copper alloy products, and copper-based alloys in billet and slab form, including beryllium copper alloys. Specialloy opened its existing Missouri facility in 1988 to more cost-efficiently produce products from larger furnaces, and in 2004 closed its Chicago plant. At its height of production, Specialloy served customers in North America, Europe and Asia and developed a global reputation for specialty copper alloys. For the last few years, Specialloy's only significant customer has been our Nonferrous division, so the acquisition will not immediately add to our sales.

The Specialloy plant is a manufacturing and warehouse building totalling 26,500 square feet, located on a six-acre site in New Madrid, Missouri, USA, approximately 250 kilometres south of St. Louis and situated on the Mississippi River. It has two furnaces and is capable of producing billets in a range of sizes and compositions. At its peak of operations, we have been told that Specialloy employed 50 employees and produced red alloys and non-beryllium alloys. It produced considerably less in the past two years, after financially-driven shutdowns and ownership changes. It currently has seven employees. There is room for significant expansion of plant operations at the current site.

We have integrated Specialloy's manufacturing infrastructure and processes into our existing manufacturing operations. Specialloy operates within our Freedom division.

*OPERATING PERFORMANCE AND OUTLOOK*

The current recession adversely affected the sales and profitability of our manufacturing divisions. We reduced operating costs to compensate and achieved cost savings through the integration of our manufacturing divisions, which allowed us to share certain employees and reduce shipping charges. In recent months, we have experienced an increase in order intake but it is too soon to know if this represents a sustained turnaround in market conditions. We expect that our long-term contract to supply a well-known global copper and industrial metals company (see above) will generate incremental sales. In the summer months, we were adversely affected by equipment problems, which will temporarily result in lower margins due to poor plant utilization. We are currently working to address our order backlog that resulted from the equipment problems.

Based on information available to us, revenues for the coming months will be better than those for the June 2009 quarter. The revenue outlook for the coming year will be materially affected by two factors:

- The current economic malaise resulted in lower order bookings from the commercial sector, although long-term arrangements and government-related sales are less affected.
- Copper is a significant proportion of many of the alloys that we produce. Copper prices fell from roughly \$4.00 per pound in the summer of 2008 to about \$1.30 per pound in December 2008 before increasing to slightly over \$2.80 per pound in October 2009<sup>1</sup>. The change in copper prices has a significant effect on revenues.

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<sup>1</sup> Source: [www.infomine.com](http://www.infomine.com)

As a result of the poor economy, we have incurred inventory write-downs as we scrapped or remelted certain slow-moving inventory. While eliminating slow-moving inventory caused a charge to our operations, it reduced our cash operating requirements.

### **Nuclear Fuels Research Initiative**

In August 2008, we signed a collaborative research agreement with Purdue to advance the university's existing nuclear fuels research program and to develop a new type of beryllium oxide (BeO) nuclear fuel that is longer lasting, more efficient and safer than current nuclear fuels. The objective of the research is 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.

Existing work by Purdue nuclear engineers has shown that an advanced UO<sub>2</sub> – 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 UO<sub>2</sub> – BeO nuclear fuel could also contribute significantly to the operational safety of both current and future nuclear reactors due to its superior thermal conductivity and associated decrease in risks of overheating or meltdown.

Under the terms of our research agreement, Purdue granted us an option at our sole discretion, to enter into either a non-exclusive royalty-free license for commercial application to the intellectual property relating to the development of an advanced beryllium oxide nuclear fuel (the "IP") as developed by Purdue under the agreement, or an exclusive royalty-bearing license to the IP up to a mutually agreed maximum royalty amount. Pursuant to the agreement, Purdue has proposed a maximum 24-month research program with an estimated budget which will be our sole responsibility and which we will pay in quarterly installments.

Purdue led the early research into UO<sub>2</sub> – BeO fuel, which is intended to solve the inherent problem of low thermal conductivity of existing UO<sub>2</sub> fuel. The low thermal conductivity leads to a large temperature gradient across the fuel pellet, which limits the operational performance of nuclear reactors due to thermal stresses that cause pellet cladding interaction and the release of fission product gases. An enhanced thermal conductivity UO<sub>2</sub> – BeO fuel would decrease maximum fuel temperatures and facilitate a reduction in pellet cladding interaction through lessening thermal stresses that result in fuel cracking, relocation and swelling. Additionally, fission gas release would decrease allowing for higher fuel burn-up and reactor safety would be greatly improved with a faster thermal response and less stored energy in the fuel pins. We have been advised by the Purdue professor emeritus who is guiding the research that if UO<sub>2</sub> – BeO nuclear materials are feasible, they would function in existing, unmodified nuclear reactors.

In February 2009, we formed 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. We have appointed three people to the nuclear fuels advisory board:

- Dr. Alvin Solomon is a professor emeritus of nuclear engineering at Purdue University 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

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for utilities, industry associations, government agencies, consulting firms and other organizations.

- James P. Malone is vice president of nuclear fuels for Exelon, a wholly owned subsidiary of Exelon Corp. where he is responsible for their nuclear fuel cycle activities, including procurement, safeguards, economics, and fuel cycle cost.

**Mineral Exploration**

We are seeking to accumulate several mineral properties that could serve as a source of raw materials for future production. Through our purchase of REL, we acquired a comprehensive reference library detailing beryllium mines, deposits and occurrences worldwide, which is complemented by extensive geologic, topographic, and bathymetric databases and a comprehensive library of satellite imagery. In view of current market conditions, we intend to slow our mineral exploration activities in order to conserve cash.

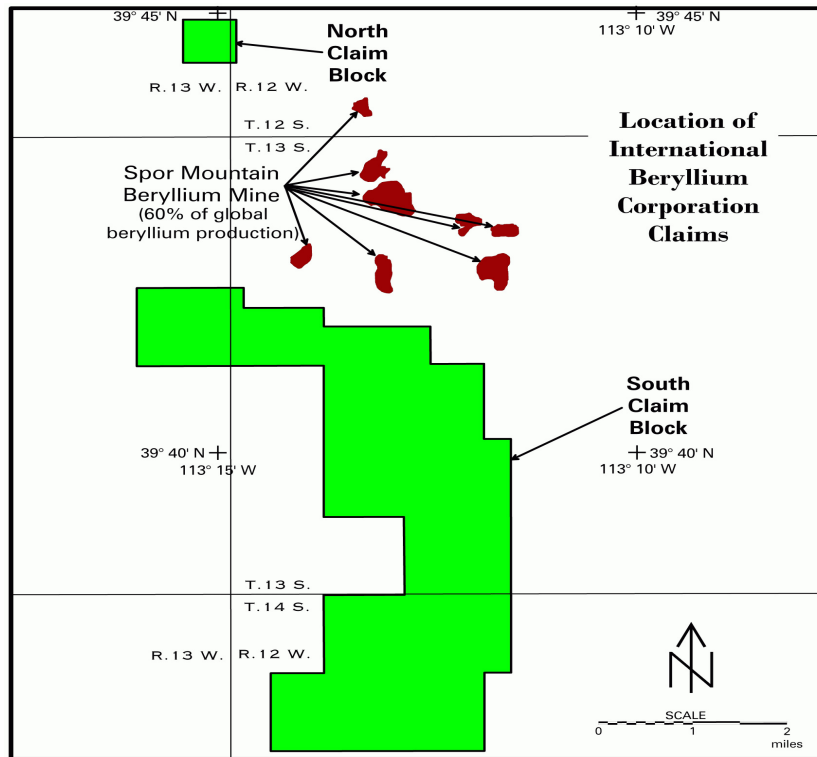
Only two beryllium minerals are of commercial importance for the production of beryllium. Bertrandite is the principal beryllium mineral mined in the United States. Beryl (from pegmatite) is the principal beryllium mineral mined in the rest of the world.

*SPOR MOUNTAIN, JUAB COUNTY, UTAH*

Through the purchase of REL, we also acquired 371 mineral claims near Spor Mountain in Juab County, Utah, USA.

*Property Description and Location*

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.



### *Previous History*

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

### *Exploration*

Our Utah mineral claims about the mineral property of Brush at Spor Mountain. Brush operates five open pit mines in this location and produces approximately 48,000 tons of bertrandite ore annually grading 0.35% beryllium. This constitutes approximately 60% of world production, but Brush’s lack of additional exploration has led to declining reserves during the past few years.

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

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

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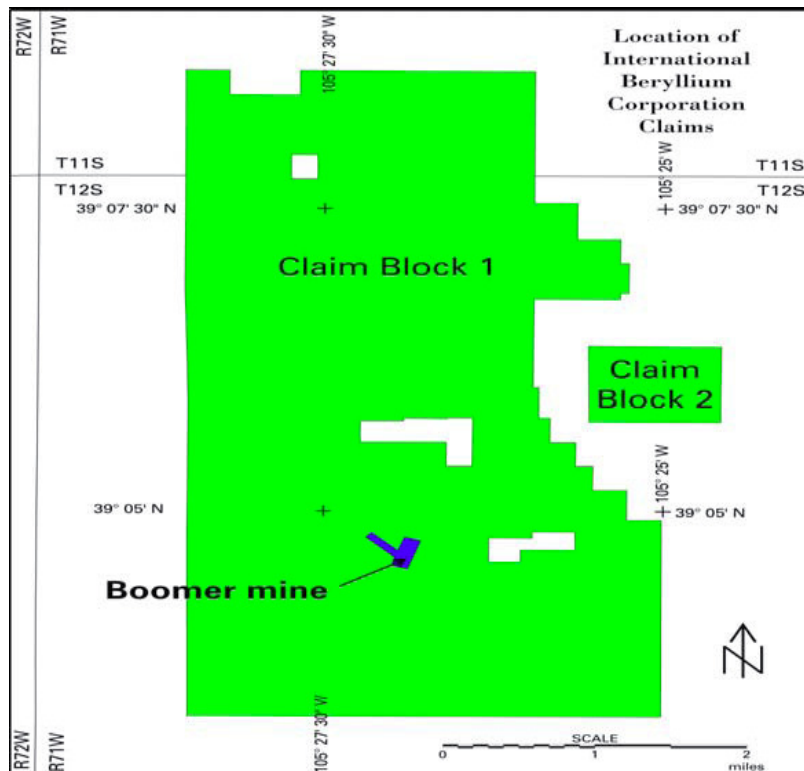
*Plan*

We are continuing to gather historical data and exploration results from other companies that have worked in the area and are formulating a comprehensive exploration program to delineate the extent of the beryllium mineralization and to quantify the size and grade of the deposits within our claim blocks.

Due to the difficulty in raising capital at the moment, we have decided to focus our exploration activities on our Utah property, which we believe would be the easiest to bring to production and holds the most long-term potential.

*LAKE GEORGE, PARK COUNTY, COLORADO*

We exercised our rights under a trust agreement signed on September 1, 2007 and acquired 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; the Boomer lode and the East Boomer lode constituting 20.560 acres (8.320 hectares) of land and an undivided one-third interest in the adjacent JS lode, a 9.395-acre (3.802 hectares) patented mining claim. We also staked 517 mining claims (approximately 10,680 acres or 4,320 hectares) on adjacent lands to expand 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

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South Park, Park County, Colorado. It is well supplied with electricity, water and telephone, and is readily accessible along an established road system.

*Previous History*

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

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

*Exploration*

We have completed the staking of 517 mineral claims in two claim blocks in the Lake George district, which includes the Boomer mine. The staked area is approximately 10,680 acres (4,320 hectares) and includes the former beryllium producing areas of Badger Flats, China Wall, Redskin Gulch, and numerous former producing claims and workings.

*Plan*

We are currently 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 will incorporate our findings into a thorough resource estimate for the entire Lake George area.

*MINAS GERAIS, BRAZIL*

Through a trust arrangement, we hold a 100% interest in two beryllium properties in Brazil; the Coronel Murta Property and the Santa Maria de Itabira Property (the "Brazilian Properties"), which are located in Minas Gerais State, Brazil. Our Brazilian Properties were the subject of an October 2007, geological report prepared for the properties' by Behre Dolbear & Co. (the "Behre Dolbear Report") for the properties' previous owner, Vangold Resources Ltd. ("Vangold"). The Behre Dolbear Report is available for review under our corporate profile on [www.sedar.com](http://www.sedar.com).

In September 2008, we purchased two additional concessions, the Corrego Pedra Azul and the Corrego Biquinha, in the Coronel Murta municipal district. In December 2008, we decided to temporarily suspend exploration operations in Brazil. While we believe that the mineral properties have economic value, our Utah properties are easier to bring to production and given tight capital markets, we have decided to focus on what we believe is the most promising exploration opportunity first.

*Property Description and Location*

Our Brazilian Properties are located in Minas Gerais State, Brazil. One is situated in the Santa Maria de Itabira municipal district and the other three are in the Coronel Murta municipal district. The surface owners have not retained a royalty prior to commencement of mining operations.

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*Santa Maria de Itabira*

Mineralization occurs as discrete beryl crystals within the zoned pegmatite matrix. Pegmatite bodies are somewhat linear, oriented approximately NW-SE, and range in thickness from a few centimetres to several metres. The galleries mapped by Brazilian Rockhounds Comércio e Serviços de Minerais Ltda. ("Brazilian Rockhounds") are clustered in an area of approximately 100 metres by 250 metres central to the license area.

Further work will require approval by DNPM of a plan of operations. We are preparing a phased exploration plan for this property but have slowed this process given the current economic climate.

*Coronel Murta*

Mineralization occurs as discrete beryl crystals in zoned pegmatite bodies. Pegmatites are described by Brazilian Rockhounds in at least five different locations on or adjacent to the license over an area of approximately one kilometre square located in the east central portion of the license. Behre Dolbear was able to visit the portal of one gallery that was collared off the license but, according to Brazilian Rockhounds' mapping, extends up to 50 metres northwesterly into the license area. Behre Dolbear found beryl fragments up to 10 centimetres in long dimension on the dump from this gallery.

A gallery adjacent to the Coronel Murta license was actively producing feldspar, lepidolite, and occasional morganite (a gem variety of beryl). Behre Dolbear observed beryl crystals in the gallery walls up to five centimetres in long dimension.

Further work will require approval by DNPM of a plan of operations. We have not yet commenced work on the Corrego Pedra Azul or the Corrego Biquinha licenses.

*Exploration*

Exploration to date has been limited to mapping the accessible workings on the Santa Maria de Itabira license, literature search, aerial photograph interpretation, and compiling references on surrounding properties. There are seven gallery entries located on the Santa Maria de Itabira license and beryl and aquamarine production has been reported from these workings. Behre Dolbear was able to confirm pegmatite bodies in the accessible workings but saw no obvious beryl or aquamarine in place. Geologist Silva has mapped the workings. He has produced a report of activities and findings that include maps of the galleries and location of reported beryl production. Behre Dolbear was able to compare the geologic maps of the galleries with two of the galleries and found the work accurate and credible.

Behre Dolbear concluded that the Coronel Murta concession is an early state exploration project. Significant and extensive exploration work in the form of trenching, alluvial sampling, and general reconnaissance needs to be conducted to locate potential high value areas. Once these areas are identified, diamond drilling and more thorough testing must be performed. Most of the work to date is of an overall development nature and is foundational for our continued program.

*UGANDA*

We hold a 90% interest in our subsidiary Beryllium Exploration Ltd., which held seven registered exploration licenses for beryl, located in central and southwestern Uganda. Due to the difficulty in raising capital at the moment, we decided to focus our exploration activities on our Utah

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property, which we believe would be the easiest to bring to production and holds the most long-term potential. Given the uncertain outlook for both capital and resource markets, we relinquished our Ugandan properties and therefore wrote them off in fiscal 2009.

## 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.

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	June 30		
	2009	2008	2007
Revenue	\$ 11,616,872	\$ 978,056	\$ -
Net income (loss) for the year	(14,631,103)	(3,693,426)	1,845
Net earnings (loss) per share, basic and diluted	(0.14)	(0.05)	0.00
Total assets	17,305,893	23,427,787	148,938
Long-term financial liabilities	3,003,674	12,253	-

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In fiscal 2007, we acquired mineral properties but did not otherwise have any operations. In fiscal 2008, we retained a management team, expanded our mineral property holdings, undertook financings and acquired Freedom late in the fiscal year. As a result we generated revenues and expanded our asset base. In fiscal 2009, we acquired Nonferrous and Specialloy with the result that our revenues increased significantly. The recession hurt our operations however, adversely affecting our operating results. As a consequence of the weak economic outlook, we wrote off \$9.4 million of goodwill.

### *SELECTED QUARTERLY INFORMATION*

During our most recent eight quarters, we have not incurred any loss from discontinued operations or extraordinary items. Results for the period prior to the RTO on November 23, 2007 are those of HRM.

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Quarter Ended	Revenue	Income (loss) for the period	Basic and diluted income (loss) per share
September 30, 2007	\$ -	\$ 1,391	\$ 0.00
December 31, 2007	-	(52,729)	(0.01)
March 31, 2008	-	(3,670,711)	(0.04)
June 30, 2008	978,056	28,623	0.00
September 30, 2008	2,724,695	(764,238)	(0.01)
December 31, 2008 (restated)	3,191,767	(6,961,668)	(0.07)
March 31, 2009	3,090,053	(1,510,564)	(0.01)
June 30, 2009	2,610,357	(5,394,633)	(0.05)

Through to September 2007, we were largely inactive. Following the RTO, our operating losses increased as we hired personnel and began executing our business plan. Losses for the quarter ended March 31, 2008 included stock-based compensation of \$2,718,000 and a foreign exchange loss of \$592,000.

In the quarter ended June 30, 2008 we recorded income of \$29,000. The change in our operating results from the quarter ended March 31, 2008 was largely due to (1) post-acquisition losses from our Freedom division and exploration activities; (2) reduction of stock-based compensation of \$491,000; and (3) a future income tax recovery of \$92,000.

Our loss for the quarter ended September 30, 2008 was broadly consistent with the prior period after factoring the full quarter of Freedom and REL operations, prior-period stock-based compensation adjustment and current period foreign exchange loss.

Our revenues for the quarter ended December 31, 2008 increased over the prior period following the purchase of Nonferrous, which added \$1.4 million in sales. Sales in the final quarter of the calendar year are historically lower than the third quarter due to holiday season shutdowns and customers reducing inventory holdings. The more significant factor affecting our December 2008 quarter was a \$5,300,000 impairment provision that we took in respect of goodwill associated with our Freedom division.

Our loss for the quarter ended March 31, 2009 decreased to \$1.5 million, largely because the prior period included a large goodwill impairment provision but the weak economy also adversely affected our results.

Our loss for the quarter ended June 30, 2009 increased as a result of a \$4,339,000 goodwill impairment provision. The weak economy continued to affect our operations, particularly in our Freedom division.

*RESULTS OF OPERATIONS*

In this discussion of our results of operations and financial condition, amounts, other than per-share amounts, have been rounded to the nearest thousand dollars.

We incurred a loss of \$14,631,000 for the year ended June 30, 2009 compared to a loss of \$3,693,000 for the year ended June 30, 2008. In the comparative period, we had limited exploration activities and no revenues. Between June 30, 2008 and June 30, 2009 we acquired

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two manufacturing plants and, consequently, comparison of our operating results with the same period in the prior year is not meaningful. Our discussion of the results of operations therefore focuses on trends in the current period as they relate to changes in our activities and the effect of market conditions.

The following table provides details of our loss before other items (see also note 21 of the unaudited financial statements for the year ended June 30, 2009). 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	2009	2008
<i>Segment revenues</i>		
Manufacturing	\$ 11,616,872	\$ 978,056
Mineral properties	-	-
Total revenues	<u>\$ 11,616,872</u>	<u>\$ 978,056</u>
<i>Segment operating loss</i>		
Manufacturing	\$ 2,516,756	\$ 47,870
Mineral properties	374,816	165,023
Corporate, including research	1,646,134	3,407,337
Loss before other items	<u>\$ 4,537,706</u>	<u>\$ 3,640,002</u>

Further information about the significant components of the net loss is as follows:

*Stock Based Compensation*

In February 2009, we reduced the exercise price of 4,344,000 options to the then-market price of C\$0.15. At that time, we took a charge equal to the difference between the fair value of the options immediately before the repricing and the fair value immediately after. The total expense in this regard was \$102,000. The repricing is subject to approval by disinterested shareholders, which will take place at our next shareholders' meeting scheduled for November 3, 2009.

*Manufacturing*

- Effective October 31, 2008, we completed the purchase of the Nonferrous division. Of the \$11.6 million in revenues earned in fiscal 2009, 43% related to the Nonferrous division.
- We generated gross profit of \$254,000 in the year ended June 30, 2009 (2008 – gross loss of \$20,000), which comprised:

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Year ended June 30	2009	2008
Sales	\$ 11,616,872	\$ 978,056
Cost of sales		
Materials	7,023,969	922,626
Labour	1,919,314	65,892
Overhead	2,165,026	251,423
Amortization	554,356	24,444
Purchase price allocation adjustment	176,214	107,866
Change in finished goods and work in progress inventories	(476,284)	(374,423)
Total cost of sales	11,362,595	997,828
Gross profit	\$ 254,277	\$ (19,772)

- Our gross profit margin for the first three months of the fiscal year was unusually low, in part due to acquisition-related charges relating to inventory.
- Our gross profit margin in the third and fourth quarters was adversely affected by low selling prices due to the weak economy.
- Our operating loss from manufacturing operations includes a \$332,000 write-down of inventory (2008 - \$nil) as a result of lower commodity prices and the weak economy causing us to re-evaluate slow-moving inventory.
- Segment expenses for the period includes \$239,000 of stock-based compensation (2008 - \$25,000) relating to individuals employed in our manufacturing segments and \$787,000 of non-cash acquisition-related charges (2008 - \$159,000).

*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. The direct costs of finding, maintaining and exploring our mineral properties are capitalized. We have significantly reduced expenditures on our exploration properties while we focus on manufacturing operations.
- Geological consulting expenses relate to assessing existing and potential properties and to planning exploration activities.
- Segment expenses include \$62,000 of non-cash acquisition-related charges (2008 - \$8,000) and stock-based compensation of \$57,000 (2008 - \$517,000).

*Corporate*

- Consulting fees consist of payments made for general corporate consulting and advice, market assessment and industry research and non-audit or accounting services.
- Research and development relates to our nuclear fuel research agreement with Purdue under which we make quarterly payments of \$77,000.
- Management fees are paid to management companies for our CEO and CFO's services and for general office administration.

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- Professional fees comprise audit, legal and valuation fees, other than legal fees incurred to acquire properties or for financings, which are capitalized. One of our investors was required to undertake an audit of our accounts to estimate its equity in our loss. We charged the estimated incremental fees to that company. We have capitalized as deferred acquisition costs professional fees associated with the prospective purchase of Specialloy.
- Stock-based compensation represents the fair value of stock options awarded to directors, contractors and employees, less amounts relating to manufacturing employees or individuals working on our mineral properties.
- We earned interest income from cash held in a bank account. Income in the current period is lower than the comparative period as we had less cash invested and investment yields are lower.

*Other Income (Expense)*

- As discussed above, we recognized a \$191,000 write-off in respect of our Ugandan properties in the quarter ended December 31, 2008.
- A combination of weaker markets for metals and lower price-earnings ratios in this sector lead us to conclude that there has been an impairment in the value of our Freedom division. Accordingly, we recognized a \$5,300,000 impairment in the value of goodwill in the quarter ended December 31, 2008 and a further \$4,340,000 impairment in respect of Freedom and Nonferrous goodwill at June 30, 2009.
- We incurred a foreign exchange loss of \$1,000,000 in the year ended June 30, 2009 (2008 - \$3,000) as a result of holding funds in Canadian dollars. Most of this loss occurred in our second fiscal quarter. More stable exchange rates and a lower balance of Canadian dollars meant that this was not a significant issue subsequently.
- The manufacturing division incurred interest expense primarily on line of credit and term loan facilities. The corporate interest expense relates to a vendor loan on the purchase of Nonferrous.

*Income Taxes*

- We are able to claim a recovery of taxes paid in the past by applying current period losses to previous period tax able income. This resulted in a \$562,000 current income tax recovery (2008 - \$nil). In addition, we generated a future income tax recovery of \$586,000 (2008 - \$92,000) relating to differences in the value of assets for tax and accounting purposes. Of this amount, \$336,000 related to the ability to reduce our future income tax exposure resulting from the purchase of Nonferrous in October 2008. The future income tax recovery is a non-cash item.

*FOURTH QUARTER*

The weak economy continued to hurt our operations, particularly those of our Freedom division, in the fourth quarter. Low plant utilization resulted in the cost of revenue exceeding revenues by \$566,000. Operating expenses decreased from \$1,401,000 in the quarter ended March 31, 2009 to \$1,008,000, with most of this decline due to stock-based compensation in the third quarter. We recorded a \$4,340,000 goodwill impairment charge in the fourth quarter. We had

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recorded a \$5,300,000 goodwill impairment charge in the second quarter, but continuing weakness in the economy forced us to reevaluate goodwill.

*LIQUIDITY AND CAPITAL RESOURCES*

At June 30, 2009, we had a working capital deficiency of \$70,000, including cash and equivalents of \$841,000, as compared to working capital of \$6,015,000 at June 30, 2008.

Factors affecting our liquidity include:

- Our manufacturing operations, over the long term, generate enough cash to support their operations. The main limitation on our cash position is the cost of maintaining our corporate office and funding exploration and research, and 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.
- Later in 2009, we will be able to file for a recovery of previously paid income taxes and expect to generate a refund of \$562,000 in this regard.
- Our Freedom and Nonferrous divisions have entered into bank loan agreements that require each of them to 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 banks demanding immediate repayment of the loans. At June 30, 2009, we were offside on our covenants. Freedom was previously in contravention of a loan covenant, as discussed in further detail below. At June 30, 2009, we met two of the terms of the debt covenants in our Nonferrous division but failed to meet the debt service coverage covenant; the debt service coverage ratio was -4.83 against a minimum allowed of 1.20;. For Freedom, we again met two of the terms of the debt covenants but failed to meet the debt service coverage covenant; the debt service coverage ratio was 0.72 to a minimum allowed of 1.50.
- Resource prices, particularly for copper, have a bearing on our manufacturing costs and selling prices since copper is a large component of most of our products.
- The current economic downturn could further reduce demand for our products or cause customers to defer payments of amounts due to us.
- An improvement in the economy could result in increased working capital required as inventory and receivables increase yet we may not be able to generate the cash to fund working capital.
- We subcontract certain manufacturing processes to suppliers. Any delays in the suppliers performing their work can result in us carrying more inventory than is desirable and slow cash collections.

Our working capital position reflects \$2,477,000 of debt that would be considered long-term, but has been classified as a current liability because we have not always been in full compliance with our debt covenants. In addition, our bank was not asked to approve the purchase of Freedom as required by Freedom's banking documents. If our banks do not demand repayment, we project that we have sufficient cash to fund our administrative and research operations until November 2009. Our manufacturing operations are self-funding and if we were to run out of cash at the corporate level, it would not, in the short-term, cause the company as a whole to fail.

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In 2009, we have significantly reduced our operating and administrative costs to preserve cash. Steps taken include reducing overtime work, wage and salary reductions and staff layoffs. These changes have not materially affected our production capacity.

We may be able to generate additional cash by taking advantage of unused lines of credit of approximately \$500,000, assuming that our banks do not take action over our covenant violations. 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.

*RELATED PARTY TRANSACTIONS**Transactions*

Particulars of our transactions with related parties are disclosed in note 20 to our June 30, 2009 financial statements. We do not have any contractual relationships with other directors or officers except as follows:

- In April 2009 we acquired Specialloy, as described above. Denis Brady, one of our directors, owned an 85% interest in that company.
- In February 2009, we entered into a premises lease with a company in which Lee Rice, one of our directors, holds an interest. The lease is for a term of 12 months expiring January 31, 2010 at \$800 per month.

*FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS*

Note 24 of our audited financial statements for year ended June 30, 2009 includes disclosure on financial risk management and financial instruments.

*CHANGES IN ACCOUNTING POLICIES*

We are subject to new accounting standards including the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400 "General Standards of Financial Statement Presentation", Section 1582 "Business Combinations", Section 1535 "Capital Disclosures", Section 3031 "Inventories", Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments - Presentation". These new accounting pronouncements are discussed in note 3 of our June 30, 2009 financial statements. Adoption of these accounting standards has not had a material impact on our 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 have begun to evaluate the impact of IFRS on our financial accounting and reporting systems and are making changes so that we can begin to prepare accounting information under IFRS for comparative purposes effective July 1, 2010.

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

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We have not yet prepared a complete IFRS changeover plan (the "IFRS Plan"), but have completed a high-level scoping study to consider the potential impact of the implementation of IFRS on the Company's financial reporting. IFRS will not only impact the presentation and disclosure of items in the financial statements but also the determination of future net income and the measurement of balance sheet items. The next stage will be to develop a detailed IFRS Plan.

Our IFRS Plan will include modeling the impact of individual IFRS standards and related interpretations on our financial statements. As part of the IFRS Plan, we will be required to prepare a transition balance sheet as at June 30, 2010 (to be representative of the opening July 1, 2010 balance sheet) in accordance with IFRS. This opening balance sheet will form the opening position of our comparative financial statements when reporting under IFRS. Based on the high-level scoping study, the following IFRS standards are expected to have the most significant impact on us.

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

Once the detailed IFRS Plan is complete, we will begin to design and build an IFRS framework, which includes decisions on available accounting policy choices, formulate policy positions and execution and roll-out of communications strategy. Once the design and build phase is complete we will move to the implement and review phase which includes, preparation of an IFRS opening balance sheet, compilation of comparative data, preparation of quarterly financial statements and disclosures, preparation of annual financial statements and disclosures, monitoring how IFRS evolves, conducting post implementation review and communicating ongoing requirements.

We believe that implementing IAS 16 – Property, plant and equipment will entail a lot of work because of the extent and complexity of our manufacturing plants. As a result, we believe it will be necessary to upgrade our equipment register software and hire an accountant to work with our facilities staff to draw up a complete list of physical plant that reflects the different lives of each asset component. We intend to undertake this work in fiscal 2010. We intend to early adopt 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.

**Shareholders' Equity***PRIVATE PLACEMENT*

In May 2009, we closed our private placement announced on April 14, 2009. We issued an aggregate of 8,333,333 common shares at a price of C\$0.15 per share for aggregate gross proceeds of C\$1,250,000. We paid finders' fees in connection with the financing consisting of C\$60,000 in cash and issued 500,000 warrants which entitle the holder to purchase one common share at C\$0.15 for 24 months. All securities issued pursuant to this second closing are subject to a four-month-and-one-day hold period. Net cash proceeds were approximately \$987,000.

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The net proceeds of the offering will be used to source and analyze prospective acquisitions, for working capital and for general corporate purposes.

*SHARE PURCHASE WARRANT EXTENSION*

In May 2009, our board of directors resolved to extend the term of 6,834,832 share purchase warrants exercisable at C\$0.29 by one year. As a result, the warrant expiry date would change from May 29, 2009 to May 29, 2010. Of the warrants to be extended, 3,600,000 are held by a shareholder that owns 31% of our issued shares and 620,689 are beneficially owned by certain of our officers and directors. This warrant extension has been approved by the Exchange.

*STOCK OPTIONS GRANTED AND REPRICED*

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 December 2008. Since our last fiscal year-end, we have granted or modified stock options pursuant to the terms of our stock option plan as follows:

- In August 2009, we granted 100,000 stock options to a nuclear fuels advisory board member exercisable at a price of C\$0.15 each until August 26, 2014
- In July 2009, we granted 100,00 stock options to a nuclear fuels advisory board member exercisable at a price of C\$0.15 each until July 3, 2014.
- In April 2009, we granted 400,000 stock options to a director at an exercise price of C\$0.15 each until April 29, 2014.
- In February 2009, we granted 250,000 stock options to an investor relations provider at an exercise price of C\$0.15 each until February 24, 2014. These options vest in four equal quarterly instalments with the first instalment vesting three months after the grant date.
- In February 2009, we granted 1,550,000 stock options to directors and officers and 2,570,000 stock options to employees, consultants and advisors at an exercise price of C\$0.15 each until February 12, 2014.
- In February 2009, we reduced the exercise price of 4,344,000 of our existing 5,449,000 incentive stock options with exercise prices of between C\$0.50 and C\$0.83. This repricing is subject to Exchange acceptance, board approval, as well as, in the case of our insiders, the approval of a majority of disinterested shareholders. We intend to seek such disinterested shareholder approval in accordance with Exchange policy at the next annual meeting of shareholders, which is scheduled for November 3, 2009. If approved, each of the subject option holders will have the exercise price of their options reduced to C\$0.15 per share. There will be no change to the expiry date of the options.

*PROPOSED CHANGES TO SHARE CAPITAL*

We have sought the approval of our shareholders to consolidate all of our issued and outstanding common shares on the basis of a ratio not to exceed one post-consolidation common share for every three pre-consolidation common shares, with the consolidation to be implemented by the board of directors at any time prior to June 30, 2010. This consolidation will also be subject to all required regulatory approvals, including that of the Exchange.

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We have also sought the approval of our shareholders to conduct one or more financings in 2009 (together, the "Offerings") for aggregate gross proceeds of up to \$15,000,000 by way of private placement or public offering of securities that may include the participation of the Firebird Group and Vangold Resources Ltd., both control persons. Any offerings proposed are also subject to the approval of the Exchange.

Please see our information circular, which is filed on SEDAR, for further particulars.

*OUTSTANDING SHARE DATA*

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

- A total of 115,709,480 common shares issued and outstanding. Of these shares, 25,406,471 common shares are held in escrow that will be released over the period ending November 23, 2010.
- Warrants to purchase 23,889,832 common shares.
- Broker warrants to purchase 1,204,000 common shares.
- Stock options to purchase 9,904,000 common shares.

The maximum number of shares potentially issuable is therefore 150,707,312.