IBC ADVANCED ALLOYS CORP.
(FORMERLY INTERNATIONAL BERYLLIUM CORPORATION)

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED SEPTEMBER 30, 2009

Table of Contents

The following is a management's discussion and analysis ("MD&A) of IBC Advanced Alloys Corp. and its subsidiaries (collectively "IBC"), prepared as of November 27, 2009. This MD&A should be read together with the unaudited financial statements for the three months ended September 30, 2009 and related notes and 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 ("Canadian GAAP"). All financial amounts are stated in United States dollars unless otherwise indicated.

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

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

Our Business

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

There are three distinct aspects to our business:

- Manufacturing - We operate 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 56 people.
- Mineral exploration - We own mineral properties in Utah and Colorado in the United States and also in Brazil. All of our mineral properties are either formerly operating mines or are adjacent to sites that are, or have been, mines.
- 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.

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." to reflect our focus on the production of advanced alloys as part of our strategy of becoming a vertically integrated specialty alloy producer.

Corporate Developments

- In November 2009, we filed a preliminary short form prospectus with securities regulatory authorities in connection with an offering of units for gross proceeds of up to $8,000,000, subject to a 15% over-allotment option. The offering is to be led by Pope & Company Limited. See "Proposed Financings" below.
- In November 2009, we signed a term sheet outlining the terms of a promissory note in the principal amount of C$250,000 to be granted to Firebird Global Master Fund II, Ltd. ("Firebird"), an insider of the Company. See "Proposed Financings" below.
- In November 2009, our shareholders approved a resolution authorizing the Company's board of directors to undertake a share consolidation of one post-consolidation common share for up to three pre-consolidation common shares before June 30, 2010. After discussions between Pope & Company Limited and management, our board of directors does not plan to effect the share consolidation.
- In May 2009, we entered into a letter of intent to acquire the US patents; trade name rights to "Beralcast®"; proprietary know-how; manufacturing equipment; plans for a new manufacturing plant; marketing and supply agreements; and US beryllium stockpile bidding requirements and bona fides. We intend to acquire these assets through the purchase of Beralcast® Corporation ("Beralcast"), a privately held US company, for consideration of $2,250,000 in cash and $2,000,000 in our common shares. We are working on a definitive purchase and sale agreement with the vendors of Beralcast, who are at arm's length to us (see "Proposed Beralcast Acquisition" below).
- In November 2009, we signed a letter of intent with Kazatomprom, the national atomic company of Kazakhstan, agreeing to three specific initiatives: (1) to negotiate a binding three-year agreement whereby Kazatomprom's wholly owned subsidiary, Ulba Metallurgical Plant ("Ulba"), will supply beryllium and beryllium alloys to us on pre-agreed terms, (2) to 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) to assess the feasibility of a Kazakhstan based high volume beryllium oxide production facility to support our growing nuclear fuels initiative. The November 2009 letter of intent advances a memorandum of understanding signed by Kazatomprom and us in April 2009.
- In September 2009, we engaged Renmark Financial Communications to provide investor relations services.
- In August 2009, we appointed James P. Malone, former 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 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 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.

PROPOSED FINANCINGS

In November 2009, we filed a preliminary short form prospectus with securities regulatory authorities in connection with an offering of units for gross proceeds of up to $8,000,000, subject to a 15% over-allotment option. The offering will be led by Pope & Company Limited.

It is proposed that each unit will consist of one common share and one-half of one transferable common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share of IBC for a period of 24 months following the date of closing of the offering. Final pricing and determination of the number of units to be sold pursuant to the offering will be determined in the context of the market and will occur immediately prior to the filing of the final short form prospectus in respect of the offering.

The offering is subject to certain conditions including, but not limited to, the execution of a definitive agency agreement with the agents and receipt of all necessary approvals, including the approval of the Exchange and the applicable securities regulatory authorities.

In November 2009, in order to provide short-term funds for corporate activities, we signed a term sheet outlining the terms of promissory note financing for C$250,000 (the "Note") with Firebird, an insider of the Company. The convertible note bears interest at a rate of 10% per year and will mature on the earlier of four months from funding and the closing of an offering by the Company. The note is convertible into units comprising one common share and one full warrant. If Firebird elects to convert the Note before the Company completes an offering of at least C$2,000,000, or if the Company does not complete an offering, the conversion price will be C$0.14 per unit. If an offering closes, the Note will automatically convert into units at a 20% discount to the offering price of the. Firebird has the option to convert accrued interest under the Note into common shares at a rate of C$0.14 per share.

PROPOSED BERALCAST CORPORATION ACQUISITION

In May 2009, we entered into a letter of intent to acquire the US patents; trade name rights to "Beralcast®"; proprietary know-how; manufacturing equipment; plans for a new manufacturing plant; marketing and supply agreements; and US beryllium stockpile bidding requirements and bona fides. These assets will be acquired through the purchase of Beralcast®, a privately-held US company that we intend to acquire for consideration of US$2,250,000 in cash and US$2,000,000 in our common shares. In November 2009, the vendors terminated the May 2009 letter of intent and subsequently entered into a new letter of intent on substantially the same terms. The new letter of intent confirms that the vendors (who are at arm's length) and we are committed to finalizing a definitive agreement as originally contemplated. No finder's fee is payable in connection with the proposed purchase.

Completion of this transaction is subject to several conditions including raising gross proceeds of C$8,000,000 to fund the purchase; entering into an employment contract with the proposed president of Beralcast®; the acquisition of all the assets listed above by Beralcast®; customary due diligence and approval by our board of directors; shareholders of Beralcast®; and the Exchange. There can be no assurance that these conditions will be satisfied or that the transaction will be completed as proposed or at all. If the transaction does complete as

proposed, it is likely that the vendor will hold more than 10% of our outstanding common shares and will accordingly be classified as an insider under Canadian securities laws.

In the 1960s, Starmet Corporation, in cooperation with Lockheed Martin, developed a binary alloy of beryllium-aluminum, which has been copied by others. Later, Starmet developed a castable metal matrix composite beryllium aluminum alloy now manufactured as Beralcast® which no one, to the best of the manufacturer's knowledge and inquiry, has been able to duplicate. Other companies have developed casting processes for beryllium-aluminum alloys, but, other than Beralcast®, none are commercially available to the best of our knowledge. Beralcast® alloys are more than three times stiffer than aluminum with 22% less weight and can be precision-cast to simple and complex configurations. 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.

Manufacturing Operations

We currently have three manufacturing operations in the United States that employ a total of 56 people. 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 reliant on a single supplier (Ulba) for substantially all of our beryllium, which is a component of approximately 50% 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

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 via a distribution network of established dealers and distributors. 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.

Our Freedom division also operates our Specialloy facility in New Madrid, Missouri. We acquired Specialloy in April 2009. 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. 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 signficant customer has been our Nonferrous division.

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 close to the Mississippi River. It has two furnaces and is capable of producing billets in a range of sizes and compositions. There is room for significant expansion of plant operations at the current site.

OPERATING PERFORMANCE AND OUTLOOK

The current recession adversely affected the sales and profitability of our manufacturing divisions, with sales declining sharply in the fourth calendar quarter of 2008 through to the summer of 2009. 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.

Since mid-August 2009, we have experienced a significant increase in order intake and our operating results have improved. The September quarter reflected some of this benefit but in the summer months, we were adversely affected by equipment problems at one of our plants, which temporarily resulted in lower sales and abnormally low margins due to poor plant utilization. We have solved the equipment problems and are currently working to address an order backlog.

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

- The strength of the economic recovery;
- The price of copper: 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 about $3.10 per pound in November 2009[1]. Every $1.00 change in the price of copper results in approximately a 10% change in our unit revenues.

[1] Source: COMEX

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_2 – BeO) nuclear fuel suitable for both existing and future nuclear power reactors.

Previous work by Purdue nuclear engineers showed that an advanced UO_2 – 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_2 – 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_2 – BeO fuel, which is intended to solve the inherent problem of low thermal conductivity of existing UO_2 fuel. The low thermal conductivity leads to a large temperature gradient across the fuel pellet, which limits the operational performance of nuclear reactors due to thermal stresses that cause pellet cladding interaction and the release of fission product gases. An enhanced thermal conductivity UO_2 – BeO fuel would decrease maximum fuel temperatures and facilitate a reduction in pellet cladding interaction through lessening thermal stresses that result in fuel cracking, relocation and swelling. Additionally, fission gas release would decrease allowing for higher fuel burn-up and reactor safety would be greatly improved with a faster thermal response and less stored energy in the fuel pins. We have been advised by the Purdue professor emeritus who is guiding the research that if UO_2 – BeO nuclear materials are feasible, they would function in existing, unmodified nuclear reactors.

In 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 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 Rare Earths Limited ("REL"), a private Colorado-based company acquired in May 2008, 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 the recession, we slowed our mineral exploration activities in late 2008 to conserve cash. We are currently undertaking a financing and intend to allocate approximately $1,000,000, over several phases, to mineral property exploration. If we are successful in our financing, we will spend most of the exploration budget at our Sport Mountain property.

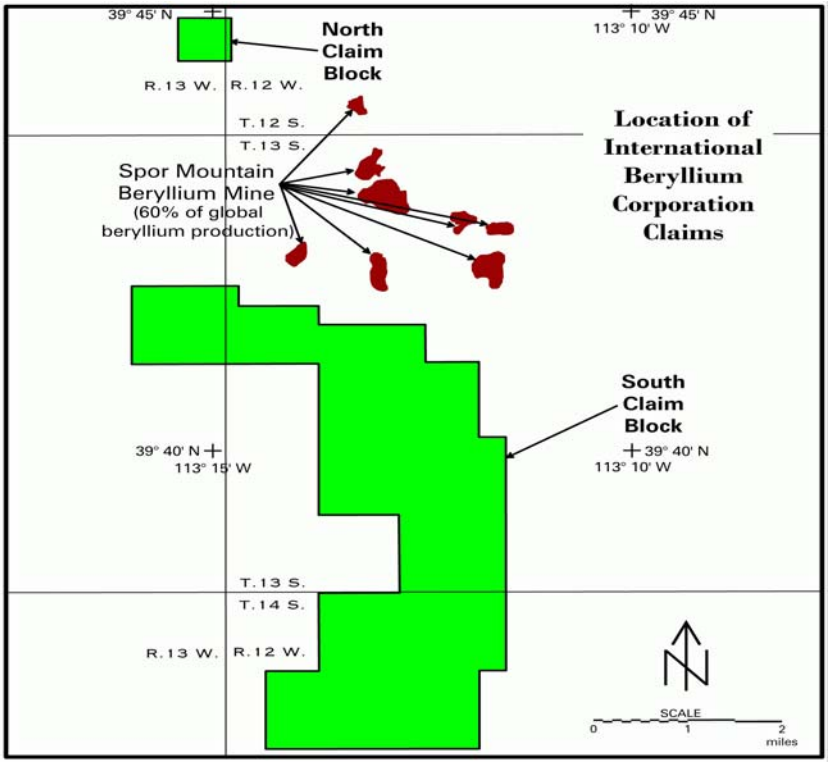
Only two beryllium minerals are of commercial importance for the production of beryllium. Bertrandite is the principal beryllium mineral mined in the United States. Beryl (from pegmatite) is the principal beryllium mineral mined in the rest of the world.

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

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

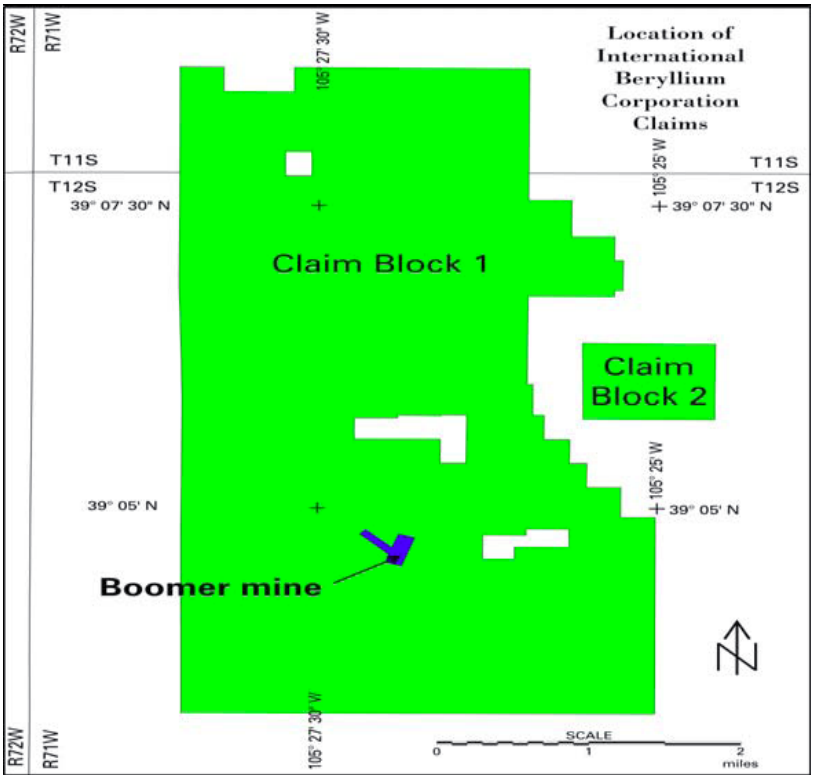
Our analysis of topographic data and high resolution aerial photography of the area has revealed the presence of a previously unmapped extinct volcanic caldera that may prove to be the source of structural control, hydrothermal fluids, and beryllium mineralization in this area. The presence of this caldera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

Plan

Our future plans include gathering historical data and exploration results from other companies that have worked in the area with a view to 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. We intend to undertake a drilling program and complete a 43-101 report on the Spor Mountain property.

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: (1) the Boomer lode and (2) the East Boomer lode constituting 20.560 acres (8.320 hectares) of land and an undivided one-third interest in the adjacent JS lode, a 9.395-acre (3.802 hectares) patented mining claim. We also staked 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 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

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.

MINAS GERAIS, BRAZIL

Through a trust arrangement, we hold a 100% interest in two beryllium properties in Brazil: (1) the Coronel Murta Property and (2) 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 SEDAR at *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, we believe our Utah properties are easier to bring to production and given tight capital markets, we intend to focus on this as we believe it is the most promising exploration opportunity.

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.

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

Servicios 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.

Financial

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.

Quarter Ended	Revenue	Income (loss) for the period	Basic and diluted income (loss) per share
December 31, 2007	$ -	$ (52,729)	$ (0.00)
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)
September 30, 2009	$ 2,582,950	$ (799,914)	$ (0.01)

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.

Our loss for the quarter ended September 30, 2009 fell as there was no goodwill impairment provision and the improving economy benefited our operating results.

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 $800,000 for the three months ended September 30, 2009 compared to a loss of $764,000 in the comparative 2008 period and a loss of $5,395,000 for the quarter ended June 30, 2009. In the comparative period, we had revenues from our Freedom division but had not yet acquired Nonferrous.

Our loss before other items ("operating loss") for the three months ended September 30, 2009 was $724,000 compared to an operating loss of $616,000 in the comparative 2008 period and an operating loss of $1,574,000 for the quarter ended June 30, 2009.

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

Three months ended September 30	2009	2008
Segment revenues		
Manufacturing	$ 2,582,950	$ 2,724,695
Mineral properties	-	-
Total revenues	$ 2,582,950	$ 2,724,695
Segment operating loss		
Manufacturing	$ (373,120)	$ (130,364)
Mineral properties	(36,186)	(134,064)
Corporate, including research	(314,371)	(351,073)
Loss before other items	$ (723,677)	$ (615,501)

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

Manufacturing

- We generated gross profit of $204,000 in the three months ended September 30, 2009 (2008 – gross profit of $212,000), which comprised:

Three months ended September 30	2009	2008
Sales	$ 2,582,950	$ 2,724,695
Cost of sales		
Materials	1,219,580	1,732,296
Labour	522,167	138,898
Overhead	418,171	429,244
Amortization	219,213	212,746
Total cost of sales	2,379,131	2,513,184
Gross profit	$ 203,819	$ 211,511

- The comparative period reflects manufacturing revenues primarily from production and sales of beryllium copper and other beryllium containing alloys at our Freedom division only. We acquired our Nonferrous division on October 31, 2008.

- Our gross profit margin in the current quarter was adversely affected by equipment problems at one of our facilities. Our gross profit margin for the first three months of the 2008 fiscal year was adversely affected by low selling prices due to the weak economy.
- Segment expenses for the period includes $16,000 of stock-based compensation (2008 - $37,000). The comparative period included a non-cash acquisition-related inventory charge of $176,000.

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 stock-based compensation of $nil (2008 - $nil).

Corporate

- Consulting fees consist of payments made for general corporate consulting and advice, market assessment and industry research and non-audit or accounting services. The consulting fees expense for the quarter was $39,000 and was not materially different from the comparative period.
- Research and development relates to our nuclear fuel research agreement with Purdue under which we make quarterly payments of $76,000.
- Management fees and contractor are include fees for our for our CEO and CFO's services, mineral exploration management and for general office administration. The decline in this expense since 2008 is largely due to reduced mineral property activities and a commensurately lower compensation cost.
- Professional fees comprise audit, legal and valuation fees, other than legal fees incurred to acquire properties or for financings, which are capitalized. As described in note 3 of our interim financial statements, we early-adopted Section 1582 of the CICA handbook and accordingly have expensed costs such as professional fees associated with the prospective purchase of Beralcast. In the prior year, such costs would have been capitalized. Such costs were not significant in the quarter, but are expected to be much higher in the second fiscal quarter.
- 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.

Other Income (Expense)

- 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.
- We incurred a foreign exchange gain of $14,000 in the three months ended September 30, 2009 (2008 – loss of $174,000) as a result of holding funds in Canadian dollars.

- 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

- The income tax provision in the current quarter relates to a future income tax recovery as we amortize acquisition appraisal increments. This future income tax recovery will not result in a positive cash flow.

CHANGE IN FINANCIAL CONDITION

Changes in our financial condition since June 30, 2009 are largely related to ongoing operations. The decrease in cash reflects the cash flow from operating activities and normal-course expenditures on equipment purchases and our mineral properties.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2009, we had working capital of $798,000, including cash and equivalents of $252,000, as compared to a working capital deficiency of $70,000 at June 30, 2009. A large part of the change since June 30, 2009 was the reclassification of approximately $1.6 million of debt from current to non-current after receiving a waiver of covenant violations from one of our banks. We will need to raise gross proceeds of $8,000,000 to fund the purchase and development of Beralcast, which is subject to Exchange approval, and to complete our other operating plans.

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.
- We are filing for a recovery of previously paid income taxes and expect to generate a refund of $531,000 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 September 30, 2009, we were offside on our covenants in respect of loans for our Freedom division. For Freedom, we 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 compared 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 improvement in the economy that we are experiencing 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 roughly $900,000 of debt that would be considered long-term, but has been classified as a current liability because we are not full compliance with our debt covenants. As of the date of this report, our corporate head office has substantially exhausted its cash reserves. If New Century Bank does not demand repayment and we are able to close the proposed C$250,000 financing with Firebird, we project that our corporate office will have sufficient cash to fund our administrative and research operations until January 2010. 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. We have announced a C$8,000,000 financing, as described above, which will greatly enhance our liquidity if successful.

Earlier this year we 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 do not expect to increase our overhead costs if profitability improves, however if we are successful with the proposed financing discussed above, we will hire additional sales and marketing staff.

We may be able to generate additional cash by taking advantage of unused lines of credit, assuming that New Century Bank does 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 15 to our September 30, 2009 financial statements. We do not have any contractual relationships with other directors or officers except that 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

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. From time to time, we may use foreign exchange contracts, commodity price contracts and interest rate swaps to manage exposure to fluctuations in foreign exchange, metal prices and interest rates. We do not have a practice of trading derivatives. In the past, our use of derivatives was limited to specific programs to manage fluctuations in foreign exchange risk, which are subject to the oversight of the board of directors.

We provide further particulars of risks associated with financial instruments in note 18 of our September 30, 2009 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" and Section 3064 "Goodwill and Intangible Assets". These new accounting pronouncements are discussed in note 3 of our September 30, 2009 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.

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 July1, 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 have early adopted CICA Handbook Section 1582 (which governs the purchase of businesses) since this section is equivalent to IFRS standards on business combinations. This will reduce the reconciliation work for any future business purchases that we complete before adopting IFRS.

Shareholders' Equity

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 November 2009. 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 100,000 stock options to a nuclear fuels advisory board member exercisable at a price of C$0.15 each until July 3, 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 to C$0.15. Disinterested shareholders approved this repricing at our November 3, 2009 annual general meeting.

PROPOSED CHANGES TO SHARE CAPITAL

At our annual general and special meeting of shareholders held on November 3, 2009, our shareholders approved the consolidation 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 is subject to all required regulatory approvals, including that of the Exchange. After discussing the proposed share consolidation with our financing agent, we have decided not to implement it.

Our shareholders also authorized us to conduct one or more financings in 2009 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, 16,937,648 common shares are held in escrow that will be released over the period ending November 23, 2010.
- Warrants to purchase 13,834,832 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 140,652,312.