IBC ADVANCED ALLOYS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
Expressed in United States Dollars
Unaudited

MARCH 31, 2011

IBC ADVANCED ALLOYS CORP.
Consolidated Balance Sheets
(US dollars in thousands)
Unaudited

	Note		March 31, 2011		June 30, 2010
ASSETS					
Current assets					
Cash and cash equivalents	4	$	2,207	$	5,528
Receivables	5		3,080		3,167
Income taxes refundable			16		49
Inventories	6		4,018		3,835
Prepaid expenses and deposits			368		80
Total current assets			9,689		12,659
Deposits			289		53
Property, plant and equipment	7		8,857		7,534
Mineral properties	8		1,065		936
Intangible assets	9		2,581		3,117
Goodwill	10		2,154		2,154
Other assets			31		21
		$	24,666	$	26,474
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Lines of credit	11	$	2,769	$	2,601
Accounts payable and accrued liabilities	12, 18		3,332		2,934
Unearned revenue			74		115
Income taxes payable			-		46
Current portion of loans payable	13		2,062		1,007
Current portion of notes payable	13		3,000		-
Interest rate swap	17		26		54
Total current liabilities			11,263		6,757
Notes payable	13		-		3,000
Loans payable	13		261		1,473
Future income taxes			1,719		1,800
			13,243		13,030
Shareholders' equity					
Common shares	14		31,192		31,192
Contributed surplus			4,439		4,169
Broker warrants	16		523		523
Deficit			(24,731)		(22,440)
			11,423		13,444
		$	24,666	$	26,474

Ability to continue as a going concern (note 2)
Commitments and contingencies (note 19)
Subsequent events (notes 16 and 23)

On behalf of the board of directors:

"Dal Brynelsen" Director	*"Denis Brady"* Director
Dal Brynelsen	Denis Brady

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

IBC ADVANCED ALLOYS CORP.

Consolidated Statements of Operations and Comprehensive Loss

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

Unaudited

	Note	Three Months Ended March 31		Nine Months Ended March 31	
		2011	2010	2011	2010
Sales		$ 5,270	$ 4,034	$ 15,349	$ 10,361
Cost of goods sold	6	4,409	3,376	12,523	8,651
Gross profit		861	658	2,826	1,710
Selling, general and administrative expenses					
Abandoned claims costs		-	-	17	-
Amortization	7	131	122	392	379
Consulting fees	18	61	36	218	124
Director fees	18	30	15	89	43
Doubtful debts		54	33	79	42
Investor relations		37	17	113	63
Salaries, wages and management fees	18	701	433	2,058	1,271
Office and miscellaneous		305	183	705	441
Professional fees		67	73	235	177
Public company costs		11	45	57	83
Relocation costs		2	-	2	-
Research		4	74	63	223
Site clean-up		100	-	200	-
Stock-based compensation	15	62	39	270	106
Travel, meals and entertainment		100	48	317	189
		1,665	1,118	4,815	3,141
Loss before other items		(804)	(460)	(1,989)	(1,431)
Other income (expense)					
Foreign exchange gain (loss)		15	(30)	37	(19)
Interest expense	13	(142)	(250)	(445)	(611)
Gain on financial instruments held for trading	17	11	-	28	2
Interest income		2	3	9	3
Other income		20	14	49	47
Loss before income taxes		(898)	(723)	(2,311)	(2,009)
Income tax (expense) recovery					
Current		(34)	(23)	(29)	(159)
Future		49	(51)	49	91
		15	(74)	20	(68)
Loss and comprehensive loss for the period		$ (883)	$ (797)	$ (2,291)	$ (2,077)
Basic and diluted loss per common share		$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding		191,698,821	121,857,977	191,698,821	117,487,067

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

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

	Note	Three Months Ended March 31		Nine Months Ended March 31	
		2011	2010	2011	2010
Cash flows from (used in) operating activities					
Loss for the period		$ (883)	$ (797)	$ (2,291)	$ (2,077)
Items not involving cash					
Future income taxes		(49)	51	(49)	(91)
Stock-based compensation	15	62	39	270	106
Non-cash payment of salaries		-	-	18	-
Doubtful debts expense		54	33	3	42
Amortization	7,9	449	407	1,357	1,100
Gain on financial liabilities held for trading	17	(11)	-	(28)	(2)
Unrealized foreign exchange gain (loss)		(15)	30	(37)	19
Changes in non-cash working capital items:					
Receivables		(376)	(388)	66	(1,520)
Income taxes refundable		52	-	33	-
Income tax payable		-	345	(46)	480
Inventories		(511)	76	(183)	435
Prepaid expenses and deposits		199	(15)	(288)	(55)
Accounts payable and accrued liabilities		1,639	276	392	1,253
Unearned revenue		74	-	(41)	-
Net cash provided by (used in) operating activities		684	57	(824)	(310)
Cash flows from financing activities					
Issuance of shares, net of issue costs		-	9,224	-	9,104
Deferred financing costs		(10)	-	(10)	-
Loan repayments	13	(56)	(52)	(157)	(153)
Loan proceeds		168	100	168	100
Convertible note proceeds		-	-	-	238
Repayment of line of credit (net)	11	(191)	(386)	-	(552)
Net cash provided by (used in) financing activities		(89)	8,886	1	8,737
Cash flows used in investing activities					
Deposit		(2)	(15)	(236)	(15)
Investment in mineral properties	8	-	(28)	(123)	(171)
Purchase of plant and equipment	7	(1,674)	(51)	(2,176)	(143)
Purchase of subsidiaries, net of cash acquired		-	(2,250)	-	(2,250)
Net cash used in investing activities		(1,676)	(2,344)	(2,535)	(2,579)
Foreign exchange effect on cash		15	(30)	37	(19)
Change in cash and cash equivalents during the period		(1,066)	6,569	(3,321)	5,829
Cash and cash equivalents, beginning of period		3,273	101	5,528	841
Cash and cash equivalents, end of period		$ 2,207	$ 6,670	$ 2,207	$ 6,670

Supplementary cash flow information (note 20)

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

IBC ADVANCED ALLOYS CORP.
Consolidated Statements of Shareholders' Equity
(US dollars in thousands, except for share amounts)
Unaudited

	Note	Number of Shares	Common Shares	Equity Component of Convertible Debt	Contributed Surplus	Brokers' Warrants	Deficit	Total Shareholders' Equity
At June 30, 2009		115,709,480	$ 19,654	$ -	$ 3,462	$ 483	$ (18,323)	$ 5,276
Acquisition of Beralcast® Corporation		13,261,176	2,519	-	-	-	-	2,519
Broker warrants expired		-	-	-	428	(428)	-	-
Fair value of conversion rights		-	-	126	-	-	-	126
Conversion of convertible note		1,845,811	384	(126)	-	-	-	258
Issuance of shares for cash		60,882,354	10,161	-	-	-	-	10,161
Share issue costs		-	(1,526)	-	-	468	-	(1,058)
Stock-based compensation		-	-	-	279	-	-	279
Loss for the year		-	-	-	-	-	(4,117)	(4,117)
At June 30, 2010		191,698,821	31,192	-	4,169	523	(22,440)	13,444
Stock-based compensation	15	-	-	-	270	-	-	270
Loss for the period		-	-	-	-	-	(2,291)	(2,291)
At March 31, 2011		191,698,821	$ 31,192	$ -	$ 4,439	$ 523	$ (24,731)	$ 11,423

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

1. Organization and Basis of Presentation

Consolidation

These unaudited consolidated financial statements include the accounts of IBC Advanced Alloys Corp. ("IBC"), and its subsidiaries. IBC and its subsidiaries are collectively referred to as the "Company". All intercompany transactions and accounts have been eliminated upon consolidation. Except where indicated all amounts are expressed in United States dollars. The principal subsidiaries of the Company, all of which are wholly owned, at March 31, 2011 are listed below:

Entity	Location	Principal Activity
IBC US Holdings, Inc. ("IBC US")	United States	Holding company
Freedom Alloys, Inc. ("Freedom")	United States	Manufacturing
Nonferrous Products, Inc. ("Nonferrous")	United States	Manufacturing
NF Industries, Inc.	United States	Holding company
Specialloy Copper Alloys LLC ("Specialloy")	United States	Manufacturing
IBC Engineered Materials Corp. (formerly Beralcast® Corporation)	United States	Manufacturing
Rare Earths Limited, LLC ("REL")	United States	Mineral exploration

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

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

The Company's principal activity is the production of specialty alloy products, but it also sources and explores beryllium resource properties. The Company's mineral property activities are in the exploration stage and its main resource properties are in the United States.

The recoverability of amounts shown for resource properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying resource claims, the ability of the Company to obtain necessary financing to complete its development and upon future profitable production or proceeds from its disposition.

At March 31, 2011, the Company had not yet achieved profitable operations, had accumulated losses of $24,731 since inception and expects to incur further losses in the development of its business, all of which cast doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate profits from its operations to obtain financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

3. Capital Management

The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the manufacturing operations of the Company and to maintain corporate and administrative functions. The Company defines capital as bank loans, other long-term debt, and equity, consisting of the issued common shares, stock options, warrants and deficit. The capital structure of the Company is managed to provide sufficient funding for manufacturing, mineral exploration and other operating activities. Funds are primarily secured through a combination of equity capital raised by way of private placements and bank debt. There can be no assurances that the Company will be able to continue raising equity capital and bank debt in this manner.

The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, which are all held with major financial institutions.

The Company's bank agreements require that it maintain a minimum net worth and certain ratios indicating debt coverage and debt-to-tangible net worth. In addition, there are limitations on dividends and capital withdrawals. Freedom has been in violation of certain covenants, Freedom's bank demanded repayment of the loans but has agreed to amended repayment terms (note 13). At March 31, 2011, the Company did not have available-for-sale or held-to maturity financial instruments.

The Company classifies its financial instruments as follows:

Held for trading, measured at fair value	• Interest rate swaps • Cash and cash equivalents
Loans and accounts receivable, recorded at amortized cost	• Receivables • Income taxes refundable
Financial liabilities, recorded at amortized cost	• Lines of credit • Accounts payable and accrued liabilities • Income taxes payable • Notes payable • Loans payable

There were no changes to the Company's approach to capital management during the nine months ended March 31, 2011.

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

4. Cash and Cash Equivalents

		March 31, 2011		June 30, 2010
Cash	$	2,083	$	4,572
Short-term deposits		124		956
	$	2,207	$	5,528

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

5. Receivables

Receivables comprise:

		March 31, 2011		June 30, 2010
Trade accounts receivable	$	3,135	$	3,144
Allowance for doubtful accounts		(78)		(75)
Net trade accounts receivable		3,057		3,069
Other receivables		23		98
	$	3,080	$	3,167

6. Inventories

		March 31, 2011				June 30, 2010
		Cost	Valuation Provision	Net		
Raw materials	$	1,913	(89)	1,824	$	1,928
Work in process		1,239	-	1,239		980
Finished goods		1,020	(65)	955		927
	$	4,172	(154)	4,018	$	3,835

As of March 31, 2011 the Company recognized a $154 valuation provision (June 30, 2010 - $7). At March 31, 2011, inventories of $4,138 (June 30, 2010 - $3,825) were pledged as collateral for bank loans (note 13).

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

7. Property, Plant and Equipment

	Land	Machinery and Equipment	Vehicles	Leasehold Improve-ments	Furniture and Fixtures	Total
Cost						
At June 30, 2010	$ 426	$ 7,219	$ 73	$ 1,937	$ 140	$ 9,795
Purchases	-	502	-	1,466	176	2,144
Disposals	-	-	(30)	-	-	(30)
At March 31, 2011	426	7,721	43	3,403	316	11,909
Accumulated amortization						
At June 30, 2010	-	1,920	63	190	88	2,261
Amortization expense	-	711	-	97	13	821
Disposals	-	-	(30)	-	-	(30)
At March 31, 2011	-	2,631	33	287	101	3,052
Net book value						
At June 30, 2010	426	5,299	10	1,747	52	7,534
At March 31, 2011	$ 426	$ 5,090	$ 10	$ 3,116	$ 215	$ 8,857

The cost of internally developed equipment includes materials, direct labour, and direct labour-related costs.

Presentation of the Company's amortization expense, including amortization of intangible assets (note 9), is as follows:

	Three months ended March 31		Nine months ended March 31	
	2011	2010	2011	2010
Cost of goods sold	$ 318	$ 285	$ 965	$ 721
Selling general and administrative expenses	131	122	392	379
Total amortization expense	$ 449	$ 407	$ 1,357	$ 1,100

At March 31, 2011, the Company had pledged plant and equipment held by Nonferrous and Freedom with a net book value of $5,364 (June 30, 2010 - $5,260) as collateral for bank loans (note 13).

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

8. Mineral Properties

	Brazil		United States		Total
	Coronel Murta	Santa Maria	Lake George (Boomer)	Spor Mountain	
At June 30, 2009	$ 286	$ 286	$ 439	$ 273	$ 1,284
Deferred exploration expenditures					
Administration and general	13	13	-	-	26
Consulting	12	12	-	-	24
Filing fees	1	1	3	-	5
Geological and geophysical	12	12	-	-	24
Mining research and surveying	-	-	-	178	178
Permits	-	-	61	52	113
Written off	(324)	(324)	(70)	-	(718)
At June 30, 2010	-	-	433	503	936
Deferred exploration expenditures					
Administration and general	-	-	-	1	1
Consulting	-	-	-	6	6
Mining research and surveying	-	-	-	9	9
Permits	-	-	61	52	113
At March 31, 2011	$ -	$ -	$ 494	$ 571	$ 1,065

In fiscal 2010, the Company decided to focus on its United States properties and wrote off the carrying value of its Brazilian properties. In the year ended June 30, 2010, the Company also relinquished certain of its Lake George mineral claims and recorded a $70 impairment for the acquisition and deferred costs associated with these claims.

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

9. Intangible Assets

	Trade Names	Customer Relationships	Technology	Data Library	Total
Cost					
At June 30, 2010	$ 1,178	$ 1,657	$ 471	$ 923	$ 4,229
At March 31, 2011	1,178	1,657	471	923	4,229
Accumulated amortization					
At June 30, 2010	366	456	159	131	1,112
Amortization expense	173	252	66	45	536
At March 31, 2011	539	708	225	176	1,648
Net book value					
At June 30, 2010	812	1,201	312	792	3,117
At March 31, 2011	$ 639	$ 949	$ 246	$ 747	$ 2,581

10. Goodwill

At June 30, 2010 and March 31, 2011	$ 2,154

The Company considered that there were no events or circumstances that more likely than not reduce the fair value of the reporting unit below its carrying amount at March 31, 2011, and therefore has not completed an interim impairment test for goodwill.

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

11. Lines of Credit

		March 31, 2011		June 30 2010
Line of credit with Customers Bank (maximum $2,000) at 5.85% collateralized by substantially all of Freedom's assets.	$	1,301	$	1,930
Line of credit with M&I Bank (maximum $2,000) at one-month LIBOR plus 3.75% (4% at March 31, 2011), with a minimum rate of 5.00%, collateralized by substantially all of Nonferrous' assets.		1,468		671
	$	2,769	$	2,601

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

12. Accounts Payable and Accrued Liabilities

		March 31, 2011		June 30, 2010
Trade accounts payable	$	2,044	$	1,975
Accrued liabilities		1,040		599
Other liabilities		248		360
	$	3,332	$	2,934

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

13. Loans and Notes Payable

		March 31, 2011		June 30, 2010
Note payable to Customers Bank has been revised to monthly payments of $55 including interest at 8.00% per year to June 2012 (previously August 2016), collateralized by substantially all assets of Freedom.	$	828	$	918
Loan payable to M&I Bank in monthly principal payments of $7 plus monthly accrued interest at 6.15% per year to October 15, 2011, collateralized by substantially all the assets of Nonferrous (see interest rate swap, note 17).		1,495		1,558
Notes payable to vendors of Nonferrous due October 31, 2011 bearing interest at an annual rate of 8%, payable monthly, collateralized by a stock pledge agreement by IBC US and Nonferrous		3,000		3,000
Note payable to a finance company in monthly payments of $1 including interest at 3.90% per year to November 2010, collateralized by the vehicle acquired.		-		4
	$	5,323	$	5,480
Financial statement presentation:				
Current portion of loans payable	$	2,062	$	1,007
Current portion of note payable		3,000		-
Long-term loans payable		261		1,473
Notes payable		-		3,000
	$	5,323	$	5,480

In addition to the collateral provided by the operating subsidiaries, IBC has guaranteed the loans payable to banks.

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

13. Loans and Notes Payable (continued)

Contractual aggregate maturities required on notes and loans payable at March 31, 2011 are as follows:

2011	$	5,062
2012		261
	$	5,323

The Customers Bank and M&I bank loan agreements require that the Company maintain a minimum net worth and minimum debt coverage and debt-to-tangible net worth ratios. In addition, there are limitations on dividends and capital withdrawals.

The Company has been in violation of certain debt covenants under its loan agreements with Customers Bank and M&I Bank. In early 2010, Customers Bank demanded repayment of its loan in the original principal amount by November 23, 2010. The Company failed to pay such amount when due. Customers Bank is no longer willing to continue to serve as the Company's bank and has entered into a forbearance agreement requiring the repayment of the loan from in the principal amount of $2,192 in full by June 30, 2012. The Company is working to replace or repay financing currently provided by Customers Bank. The Company is no longer able to draw down under its loan facility with Customers Bank and may not be able to replace its loan facilities which could result in severe working capital limitations. The Company's bank loan agreements with M&I Bank require that the Company maintain a minimum net worth and minimum debt coverage and debt-to-tangible net worth ratios. In addition, there are limitations on dividends and capital withdrawals. The Company has not complied with certain of these covenants but has received a waiver from M&I Bank in respect thereof.

The Company is currently undertaking a refinancing of its bank loans. If it is not able to complete the refinancing by June 30, 2012, or is not in compliance with the terms of the forbearance agreement, or if M&I withdraws its waiver, the Corporation may be subject to a seizure of certain of its assets and disruption of its production.

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

14. Share Capital

Authorized capital

Unlimited number of preferred shares issuable in series without par value. The board of directors may determine the designations, rights, preferences or other variation of each class or series within the preferred shares.

Unlimited number of common shares without par value.

Issued capital

No preferred shares.

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

Escrow shares

As at March 31, 2011, there were no common shares held in escrow (June 30, 2010 – 8,468,807). The final escrow release of 8,468,807 common shares occurred on November 23, 2010

15. Stock Options

IBC's board of directors has adopted a rolling stock option plan, subsequently amended and approved by shareholders, under which the Company is authorized to grant options to directors, employees and consultants to acquire up to 10% of the issued and outstanding common stock. The exercise price of each option is based on the market price of the Company's stock for a period preceding the date of grant. The options can be granted for a maximum term of ten years and vest as determined by the board of directors. The Company's shares trade in Canadian dollars and options granted to date have been denominated in Canadian funds.

In December 2010, the Company's shareholders approved an amended stock option plan at the Company's annual general meeting.

The amended stock option plan was similar in most material respects to the previous stock option plan except the maximum term of permitted option grants was increased from five years to ten years.

A summary of stock option activity to March 31, 2011 is as follows:

	Stock Options Outstanding	Weighted Average Exercise Price
June 30, 2010	14,734,000	C$0.18
Granted	3,940,000	C$0.18
Exercised	-	-
Forfeited	(1,125,000)	C$0.22
March 31, 2011	17,549,000	C$0.18

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

15. Stock Options (continued)

At March 31, 2011, the Company had outstanding and exercisable stock options as follows:

	Outstanding Options			Exercisable Options	
Exercise Price	Number	Weighted Average Remaining Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
C$0.15	8,155,000	2.43 years	C$0.15	8,141,667	C$0.15
C$0.17	4,660,000	4.12 years	C$0.17	1,469,994	C$0.17
C$0.18	4,090,000	4.86 years	C$0.18	400,000	C$0.18
C$0.50	229,000	1.62 years	C$0.50	229,000	C$0.50
C$0.51	40,000	2.11 years	C$0.51	26,667	C$0.51
C$0.55	150,000	2.50 years	C$0.55	150,000	C$0.55
C$0.83	225,000	1.92 years	C$0.83	225,000	C$0.83
	17,549,000	3.43 years	C$0.18	10,642,328	C$0.18

The weighted average grant-date fair value of options awarded in the nine months ended March 31, 2011 was $0.18. The Company employed the Black-Scholes option-pricing model using the following weighted average assumptions:

	2011	2010
Annualized stock price volatility	127%	110%
Risk-free interest rate	2.56%	2.97%
Expected option lives	5.0 years	5.0 years
Dividend yield	0.0%	0.0%

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

16. Warrants

	Financing Warrants		Broker Warrants	
	Warrants Outstanding	Weighted Average Exercise Price	Warrants Outstanding	Weighted Average Exercise Price
At June 30, 2010	39,061,723	C$ 0.26	4,761,764	C$ 0.17
Issued	-	-	-	-
Expired	-	-	-	-
Exercised	-	-	-	-
At March 31, 2011	39,061,723	C$ 0.26	4,761,764	C$ 0.17

At March 31, 2011, warrants were outstanding enabling holders to acquire common shares as follows:

Number of Financing Warrants	Number of Broker Warrants		Exercise Price	Expiry Date
-	500,000	(a)	C$ 0.15	May 7, 2011
30,441,177	-		C$ 0.25	March 23, 2012
-	4,261,764	(b)	C$ 0.17	March 23, 2012
1,785,714	-		C$ 0.17	April 16, 2012
6,834,832	-		C$ 0.29	May 29, 2012
39,061,723	4,761,764			

Subsequent to March 31, 2011:

(a) 425,000 broker warrants were exercised at C$0.15. The remaining 75,000 broker warrants expired unexercised

(b) 99,000 broker warrants were converted to 99,000 common shares and 49,500 share purchase warrants exercisable at a price of C$0.25 until March 23, 2012.

17. Interest Rate Swap

On November 3, 2008, the Company entered into an interest rate swap contract covering the period to October 15, 2011. This had the effect of converting a variable interest rate loan from M&I Bank (note 13) to one with a fixed interest rate. The interest rate swap contract provides for monthly settlements from November 15, 2008 to October 15, 2011. Pursuant to the interest rate swap agreement, the Company will receive interest at the one-month LIBOR and will pay interest at a rate of 3.3%. The notional amount of the swap at March 31, 2011 is $1,495. The fair value of the interest rate swap at March 31, 2011 is $26 (June 30, 2010 - $54).

The Company has not designated the interest rate swap contracts as a hedge in accordance with CICA Handbook Section 3865, “Hedges”. Accordingly, the Company accounted for the interest rate swaps as derivative financial instruments and recorded the fair value of the interest rate swaps on its balance sheet at year-end, with realized and unrealized gains as losses from the change in fair value being recorded in the consolidated statements of operations.

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

18. Related Party Transactions

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

Three months ended March 31, 2011	Director or officer fees	Consulting fees	Rent	Total
Delu International Ltd. [1]	$ 57	$ -	$ -	$ 57
Lee Rice [2]	20	-	3	23
S2 Management Inc. [3]	-	5	-	5
Simon Anderson [4]	44	-	-	44
Dal Brynelsen [5]	9	-	-	9
Denis Brady [6]	9	-	-	9
Ian Slater [7]	9	-	-	9
Endeavour Resources Ltd [8]	6	-	-	6
Rafael Hernandes Correa Silva [9]	6	-	-	6
Total	$ 160	$ 5	$ 3	$ 168

Three months ended March 31, 2010	Director or officer fees	Consulting fees	Rent	Total
Delu International Ltd. [1]	$ 36	$ -	$ -	$ 36
Lee Rice [2]	20	-	2	22
S2 Management Inc. [3]	29	10	-	39
Dal Brynelsen [5]	5	-	-	5
Denis Brady [6]	5	-	-	5
Ian Slater [7]	5	-	-	5
Endeavour Resources Ltd [8]	-	6	-	6
Rafael Hernandes Correa Silva [9]	-	6	-	6
Total	$ 100	$ 22	$ 2	$ 124

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

18. Related Party Transactions (continued)

Nine months ended March 31, 2011	Director or officer fees	Consulting fees	Rent	Total
Delu International Ltd. [1]	$ 167	$ -	$ -	$ 167
Lee Rice [2]	59		8	67
S2 Management Inc. [3]	88	19	-	107
Simon Anderson [4]	44	-	-	44
Dal Brynelsen [5]	27	-	-	27
Denis Brady [6]	27	-	-	27
Ian Slater [7]	27	-	-	27
Endeavour Resources Ltd [8]	18	-	-	18
Rafael Hernandes Correa Silva [9]	18	-	-	18
Total	$ 475	$ 19	$ 8	$ 502

Nine months ended March 31, 2010	Director or officer fees	Consulting fees	Rent	Total
Delu International Ltd. [1]	$ 106	$ -	$ -	$ 106
Lee Rice [2]	50	-	7	57
S2 Management Inc. [3]	85	30	-	115
Dal Brynelsen [5]	14	-	-	14
Denis Brady [6]	14	-	-	14
Ian Slater [7]	14	-	-	14
Endeavour Resources Ltd [8]	-	17	-	17
Rafael Hernandes Correa Silva [9]	-	18	-	18
Total	$ 283	$ 65	$ 7	$ 355

1 Beneficially owned by the Company's CEO.
2 Mr. Rice is a director of the Company.
3 Beneficially owned by the Company's CFO who is a former director. Consulting fees related to a contract employee provided at cost.
4 Mr. Anderson is the CFO of the Company.
5 Mr. Brynelsen is a director of the Company.
6 Mr. Brady is a director of the Company
7 Mr. Slater is a director of the Company
8 Endeavour Resources Ltd. is owned by Mr. Azim Nathoo, who is a director of Mineraçäo Berilo do Brasil Ltda.
9 Mr. Hernandes Correa Silva is a director of Mineraçäo Berilo do Brasil Ltda.

As at March 31, 2011, $82 (June 30, 2010 - $23) is owing to directors and officers for services and $9 (June 30, 2010 - $28) is owing to officers for expenses paid on the Company's behalf. As disclosed in note 13, the Company owes notes payable of $3,000 to the vendors of Nonferrous. $1,875 of this amount is due to Denis Brady, a director of the Company (note 13). As of March 31, 2011, the Company has paid $113 (March 31, 2010 - $113) in interest expense and owes $38 (June 30, 2010 - $38) in interest costs to Denis Brady.

Related party transactions were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

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

19. Commitments and Contingencies

The Company is contractually committed under certain contracts, other than material purchase contracts, to make payments as follows:

Year ending June 30		
2011	$	478
2012		605
2013		516
2014		514
2015		378
2016		320
Subsequent		1,948
	$	4,759

The Company is contractually committed to purchase, at March 31, 2011 prices, an aggregate of $7,808 in raw materials. The contract periods do not coincide with the Company's fiscal year, but the estimated commitment in each fiscal year is as follows:

Year ending June 30		
2011	$	713
2012		1,840
2013		2,444
2014		2,064
2015		747
	$	7,808

20. Supplementary Cash Flow Information

	Three months ended March 31		Nine months ended March 31	
	2011	2010	2011	2010
Cash paid for interest costs	$ 143	$ 149	$ 444	$ 476
Cash paid for income taxes	27	23	77	128
Amortization expense included in cost of sales	318	285	965	721
Deferred financing costs applied to share issue proceeds	-	120	-	-

21. Segment Reporting

As at March 31, 2011, the Company had four reportable segments: manufacturing, mineral properties and corporate and R&D. The manufacturing segment produces beryllium copper and other specialty alloy products; the mineral properties segment manages the acquisition, exploration and development of beryllium natural resources and analysis of the Company's resource information database; corporate oversees and administers the operating divisions and undertakes research and development.

The accounting policies of the segments are the same as described in note 3 of the Company's June 30, 2010 audited financial statements. IBC's management evaluates performance based on profit or loss from operations before other items.

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

21. Segment Reporting (continued)

	Manufact -uring	Mineral Properties	Corporate	R&D	Total
Three months ended March 31, 2011					
Sales to external customers	$ 5,270	$ -	$ -	$ -	$ 5,270
Operating income (loss)	(101)	(69)	(614)	(20)	(804)
Amortization	431	16	2	-	449
Stock-based compensation	7	-	51	4	62
Interest income	-	-	2	-	2
Interest expense	82	-	60	-	142
Income tax recovery (expense)	26	(11)	-	-	15
Property, plant and equipment purchases	1,631	-	-	-	1,631
Three months ended March 31, 2010					
Sales to external customers	4,034	-	-	-	4,034
Operating income (loss)	(25)	(41)	(315)	(79)	(460)
Amortization	387	17	3	-	407
Stock-based compensation	31	-	8	-	39
Interest income	3	-	-	-	3
Interest expense	88	-	162	-	250
Income tax recovery (expense)	(79)	5	-	-	(74)
Property, plant and equipment purchases	51	-	-	-	51
Nine months ended March 31, 2011					
Sales to external customers	15,349	-	-	-	15,349
Operating income (loss)	(124)	(199)	(1,551)	(115)	(1,989)
Amortization	1,303	47	7	-	1,357
Stock-based compensation	127	-	127	16	270
Interest income	-	-	9	-	9
Interest expense	265	-	180	-	445
Income tax recovery (expense)	20	-	-	-	20
Property, plant and equipment purchases	2,144	-	-	-	2,144
Nine months ended March 31, 2010					
Sales to external customers	10,361	-	-	-	10,361
Operating income (loss)	(201)	(120)	(871)	(239)	(1,431)
Amortization	1,041	51	8	-	1,100
Stock-based compensation	64	-	42	-	106
Interest income	3	-	-	-	3
Interest expense	296	-	315	-	611
Income tax recovery (expense)	(83)	16	(1)	-	(68)
Property, plant and equipment purchases	$ 141	$ -	$ 2	$ -	$ 143

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

21. Segment Reporting (continued)

Total assets employed by each division are:

Total assets		March 31, 2011		June 30 2010
Manufacturing	$	21,450	$	19,712
Mineral properties		1,814		1,722
Corporate		1,402		5,040
	$	24,666	$	26,474

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

Sales	Three months ended March 31				Nine months ended March 31			
		2011		2010		2011		2010
North America	$	3,585	$	2,960	$	10,373	$	8,180
Europe		247		793		705		1,207
Asia		1,438		281		4,271		974
	$	5,270	$	4,034	$	15,349	$	10,361

The following customers represented more than 10% of sales:

	March 31, 2011			March 31, 2010		
		Amount	%		Amount	%
Customer A	$	2,895	18.9	$	-	-

Mineral properties, property, plant and equipment, intangible assets and goodwill		March 31, 2011		June 30, 2010
Canada	$	23	$	31
United States		14,634		13,710
	$	14,657	$	13,741

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

22. Financial Risk Management

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. From time to time, the Company may use foreign exchange contracts, commodity price contracts and interest rate swaps to manage exposure to fluctuations in foreign exchange, metal prices and interest rates. The Company does not have a practice of trading derivatives. In the past, the Company's use of derivatives was limited to specific programs to manage fluctuations in foreign exchange risk, which are subject to the oversight of the board of directors.

Fair Values

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

Foreign Exchange Risk

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

As at March 31, 2011, with other variables unchanged, a 1% increase (decrease) in the Canadian dollar would increase (decrease) net earnings by approximately $3.

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

Balance at March 31, 2011	Canadian Dollars
Cash and cash equivalents	188
Receivables	25
Accounts payable	104

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

22. Financial Risk Management (continued)

Interest Rate Risk

The Company's interest rate risk mainly arises from the interest rate impact on cash and cash equivalents. Cash and cash equivalents receive interest based on market interest rates. The Company's long-term debt has a fixed interest rate and is not exposed to interest rate risk.

As at March 31, 2011, with other variables unchanged, a 1% increase (decrease) in the interest rate would increase (decrease) net earnings by approximately $8.

Commodity Price Risk

The Company's profitability and long-term viability will depend, in large part, on the market price of copper, aluminum and beryllium. The market prices for metals can be volatile and are affected by numerous factors beyond the Company's control, including: global or regional consumption patterns; the supply of, and demand for, these metals; speculative activities; the availability and costs of metal substitutes; expectations for inflation; and political and economic conditions, including interest rates and currency values. The Company cannot predict the effect of these factors on metal prices.

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's credit risk arises primarily with respect to its trade accounts receivable.

The Company manages credit risk by trading with recognized creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debt is not significant.

The Company also manages its credit risk by investing only in obligations of any province of Canada, Canada or the United States or their respective agencies, obligations of enterprises sponsored by any of the above governments; banker's acceptances purchased in the secondary market and having received the highest credit rating from a recognized rating agency in Canada or the United States, with a term of less than 180 days; and bank term deposits and bearer deposit notes, with a term of less than 180 days.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents, and other receivables.

Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. If necessary, it may raise funds through the issuance of debt, equity, or monetization of non-core assets. To ensure that there is sufficient capital to meet obligations, the Company continuously monitors and reviews actual and forecasted cash flows and matches the maturity profile of financial assets to development, capital and operating needs.

See note 13 for contractual undiscounted cash flow requirements for loans and notes payable as at March 31, 2011.

23. Subsequent Events

In April 2011, the Company granted 200,000 incentive stock options, to a consultant, at an exercise price of $0.16 for a term of two years.

In May 2011, the Company granted 600,000 incentive stock options to an employee, at an exercise of $0.185 for a term of five years.

In May 2011, the Company granted 200,000 incentive stock options to an investor relations provider at an exercise price of $0.20 for a term of two years.

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

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