



IBC Advanced Alloys

IBC ADVANCED ALLOYS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in United States Dollars

Unaudited – Prepared by Management

SEPTEMBER 30, 2011



**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of IBC Advanced Alloys Corp. for the three months ended September 30, 2011 have been prepared by the management of the Company and approved by the Company's audit committee.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the condensed consolidated interim financial statements by an entity's auditor.

IBC ADVANCED ALLOYS CORP.
Condensed Consolidated Interim Statement of Financial Position
(US dollars in thousands)
Unaudited – Prepared by Management

	Note	September 30, 2011 \$	June 30, 2011 \$	July 1, 2010 \$
ASSETS				
Current assets				
Cash and cash equivalents	7	6,407	7,514	5,528
Receivables	8	3,958	3,756	3,167
Income taxes refundable		313	16	49
Inventories	9	4,432	4,571	3,835
Prepaid expenses and deposits		228	151	80
Total current assets		15,338	16,008	12,659
Non-current assets				
Deposits		323	289	53
Deferred financing costs		41	-	-
Property, plant and equipment	10	10,218	10,460	8,263
Exploration and evaluation assets	11	1,277	1,065	936
Intangible assets	12	1,354	1,529	2,325
Goodwill	13	2,154	2,154	2,154
Other assets		17	22	21
Total non-current assets		15,384	15,519	13,752
Total assets		30,722	31,527	26,411
LIABILITIES				
Current liabilities				
Lines of credit	14	3,511	3,051	2,601
Accounts payable and accrued liabilities	15	3,549	3,282	2,934
Unearned revenue		56	41	115
Income taxes payable		177	51	46
Current portion of loans payable	16	1,974	2,172	1,007
Current portion of notes payable	16	3,000	3,000	-
Interest rate swap	17	12	15	54
Total current liabilities		12,279	11,612	6,757
Non-current liabilities				
Notes payable	16	-	-	3,000
Loans payable	16	-	-	1,473
Other long term liabilities	15	621	638	-
Deferred income taxes		2,105	2,104	1,633
Total non-current liabilities		2,726	2,742	6,106
Total liabilities		15,005	14,354	12,863
EQUITY				
Share capital	18	38,563	38,558	31,192
Reserves		5,650	5,496	4,692
Deficit		(28,496)	(26,881)	(22,336)
Total equity		15,717	17,173	13,548
Total liabilities and equity		30,722	31,527	26,411

Ability to continue as a going concern (note 2)
Commitments and contingencies (note 23)
Events after the reporting date (notes 15 and 28)

On behalf of the board of directors:

“Dal Brynelsen” Director “Ian Slater” Director
Dal Brynelsen Ian Slater

See accompanying notes

IBC ADVANCED ALLOYS CORP.**Condensed Consolidated Interim Statement of Comprehensive Loss**

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

Unaudited – Prepared by Management

	Note	Three Months Ended September 30	
		2011	2010
		\$	\$
Sales		6,100	6,119
Cost of goods sold		6,007	5,097
Gross profit		93	1,022
Selling, general and administrative expenses			
Depreciation and amortization	10	170	123
Consulting fees	22	112	85
Director fees	22	41	21
Doubtful debts		54	75
Investor relations		91	40
Office and miscellaneous		192	192
Professional fees		106	61
Public company costs		39	21
Research		67	59
Salaries, wages and management fees	22	629	670
Site clean-up		5	-
Share-based compensation	20	153	162
Travel, meals and entertainment		99	88
		1,758	1,597
Loss before other items		(1,665)	(575)
Other income (expense)			
Foreign exchange gain (loss)		(20)	14
Interest expense		(142)	(150)
Gain on financial instruments held for trading	17	4	6
Interest income		8	4
Other income		18	18
		(1,797)	(683)
Loss before income taxes		(1,797)	(683)
Income tax (expense) recovery			
Current		182	-
Deferred		-	(8)
		182	(8)
Loss for the period		(1,615)	(691)
Other comprehensive loss			
Foreign currency translation		1	(94)
Total comprehensive loss for the period		(1,614)	(785)
Basic and diluted loss per common share		(0.01)	(0.00)
Weighted average number of common shares outstanding		237,163,517	191,698,821

See accompanying notes

IBC ADVANCED ALLOYS CORP.
Consolidated Consolidated Interim Statement of Cash Flows
(US dollars in thousands)
Unaudited – Prepared by Management

	Note	Three Months Ended September 30	
		2011	2010
		\$	\$
Cash flows from (used in) operating activities			
Loss for the period		(1,615)	(691)
Adjustments for:			
Deferred income taxes		-	8
Share-based compensation	20	153	162
Doubtful debts expense		54	75
Depreciation and amortization	10,12	519	407
Gain on financial liabilities held for trading	17	(4)	(6)
Non-cash payment of salaries		-	18
Unrealized foreign exchange loss		20	(14)
Interest income		(8)	(4)
Changes in non-cash working capital items:			
Receivables		(246)	(287)
Income tax refundable		(297)	(19)
Inventories		180	317
Prepaid expenses and deposits		(100)	(533)
Accounts payable and accrued liabilities		327	(339)
Income taxes payable		2	-
Unearned revenue		16	(115)
Net cash used in operating activities		(999)	(1,021)
Cash flows from financing activities			
Issuance of shares, net of issue costs		5	-
Net line of credit advances	14	460	276
Deferred financing costs		(41)	-
Loan repayments	16	(197)	(50)
Net cash provided by financing activities		227	226
Cash flows used in investing activities			
Deposit		-	(234)
Interest income		8	4
Investment in mineral properties	11	(211)	(118)
Purchase of plant and equipment	10	(112)	(196)
Net cash used in investing activities		(315)	(544)
Foreign exchange effect on cash		(20)	14
Change in cash and cash equivalents during the period		(1,107)	(1,325)
Cash and cash equivalents, beginning of period		7,514	5,528
Cash and cash equivalents, end of period		6,407	4,203

Supplementary cash flow information (note 24)

See accompanying notes

IBC ADVANCED ALLOYS CORP.
Condensed Consolidated Interim Statements of Changes in Equity
(US dollars in thousands)
Unaudited – Prepared by Management

	Note	Common Shares \$	Reserves \$	Deficit \$	Total Shareholders' Equity \$
At July 1, 2010		31,192	4,692	(22,336)	13,548
Share-based compensation		-	162	-	162
Loss for the period		-	-	(691)	(691)
At September 30, 2010		31,192	4,854	(23,027)	13,019
Foreign currency translation reserves		-	7	-	7
Shares issued for warrants		124	-	-	124
Prospectus share offering		8,213	-	-	8,213
Fair value of broker warrants		(204)	204	-	-
Share issue costs		(767)	-	-	(767)
Share-based compensation	20	-	431	-	431
Loss for the period		-	-	(3,854)	(3,854)
At June 30, 2011		38,558	5,496	(26,881)	17,173
Foreign currency translation reserves		-	1	-	1
Shares issued for warrants		5	-	-	5
Share-based compensation		-	153	-	153
Loss for the period		-	-	(1,615)	(1,615)
At September 30, 2011		38,563	5,650	(28,496)	15,717

See accompanying notes

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Interim Consolidated Financial Statements
(US dollars in thousands, except for share and per share amounts)
Unaudited – Prepared by Management
For the Three Months Ended September 30, 2011

1. Corporate Information

IBC Advanced Alloys Corp. (“IBC”) was incorporated under the laws of British Columbia on December 11, 2002. IBC and its subsidiaries are collectively referred to as the “Company”. The Company is primarily engaged in the production of specialty alloy products but it also sources and explores beryllium resource properties and funds research of beryllium products. The Company trades on the TSX Venture Exchange under the symbol “IB”. In August 2011, the Company commenced trading on the OTCQX International under the symbol “IAALF”.

These unaudited condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its business and commence profitable operations in the future. These condensed consolidated interim 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.

The head office and principal address of the Company is 595 Howe Street, Suite 906, Vancouver, BC, V6C 2T5.

2. Basis of Presentation

a) Statement of compliance

The consolidated financial statements of the Company for the year ending June 30, 2012 will be prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), having previously prepared its financial statements in accordance with pre-changeover Canadian generally accepted accounting principles (“Canadian GAAP”). These condensed interim financial statements for the three-month period ended September 30, 2011 have been prepared in accordance with *IAS 34 - Interim Financial Reporting*, and as they are part of the Company’s first IFRS annual reporting period, *IFRS 1 - First-time Adoption of International Financial Reporting Standards* has been applied.

As these condensed interim financial statements are the Company’s first financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company’s most recent annual financial statements prepared in accordance with Canadian GAAP have been included in these financial statements for the comparative annual period. However, these condensed interim financial statements do not include all of the information required for full annual financial statements.

The Company’s audit committee approved the release of these condensed interim consolidated financial statements on December 22, 2011.

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2. Basis of Presentation (continued)

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets. The condensed interim financial statements are presented in United States dollars and all financial amounts, other than per share amounts, are rounded to the nearest thousand dollars. The functional currency of IBC is the Canadian dollar but the functional currency of the subsidiary companies is the United States dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these unaudited condensed interim financial statements will be finalized only when the first annual IFRS financial statements are prepared for the year ending June 30, 2012.

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual consolidated financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS condensed consolidated statement of financial position as at July 1, 2010 (the "Transition Date"), as required by *IFRS 1 – First Time Adoption of International Financial Reporting Standards* ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in note 29.

c) Going concern of operations

As at September 30, 2011, the Company had not yet achieved profitable operations, incurred a loss of \$1,615 during the three months ended September 30, 2011 and, as of that date, the Company had accumulated losses of \$28,496 since inception and expects to incur further losses in the development of its business, all of which cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate profits from its operations to obtain financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

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

The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. The Company had cash and cash equivalents of \$6,407 at September 30, 2011 (June 30, 2011 - \$7,514; July 1, 2010 – \$5,528), which may not be sufficient to finance planned expenditures for the next 12 months.

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Notes to the Condensed Interim Consolidated Financial Statements
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3. Summary of Significant Accounting Policies

The accounting policies set out below are expected to be adopted for the year ending June 30, 2012 and have been applied consistently to all periods presented in these condensed interim financial statements for the purposes of the transition to IFRS, unless otherwise indicated.

a) Principles of consolidation

These condensed interim consolidated financial statements include the accounts of IBC and its wholly owned subsidiaries:

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

All intercompany transactions and accounts have been eliminated upon consolidation.

b) Foreign currency transactions

Foreign currency accounts are translated into each entity's functional currency as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the entity's functional currency by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into the functional currency by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into the functional currency by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into the functional currency by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

The assets and liabilities of IBC are translated at the exchange rate in effect at the end of each period and the results of operations are translated at the average exchange rate for each period. The resulting exchange difference is charged to other comprehensive loss and applied to the cumulative foreign currency translation reserve.

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3. Summary of Significant Accounting Policies (continued)

c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

d) Mineral exploration and evaluation expenditures

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements by which the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs. Mineral exploration and evaluation expenditures are classified as intangible assets.

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3. Summary of Significant Accounting Policies (continued)

e) Property and equipment

Recognition and measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company. Such costs include appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Major maintenance and repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Depreciation

Depreciation is recognized in profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

	Years
Machinery and equipment	7-25
Office furniture and equipment	5-7
Vehicles	5
Leasehold improvements	over period of the lease

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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3. Summary of Significant Accounting Policies (continued)

f) Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, an impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the profit or loss, except to the extent it reverse gains previously recognized in other comprehensive loss/income.

g) Financial instruments

Financial assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment on financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

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3. Summary of Significant Accounting Policies (continued)

h) Provisions

Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

i) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

j) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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3. Summary of Significant Accounting Policies (continued)

k) Earnings / loss per share

Basic earnings/loss per share is computed by dividing the income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted earnings/loss per common share is computed by dividing the income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

At September 30, 2011, the Company had stock options and share purchase warrants outstanding that could result in the issuance of up to 89,305,878 additional common shares (June 30, 2011 – 87,695,878; July 1, 2010 – 58,557,487).

l) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

When equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied. Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid. Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

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4. Adoption of New Accounting Pronouncements and Recent Developments

Standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2011 or later periods. The Company has early adopted the amendments to IFRS 1 which replaces references to a fixed date of “1 January 2004” with “the date of transition to IFRS”. This eliminates the need for the Company to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendment is effective for year-ends beginning on or after July 1, 2011; however, the Company has early adopted the amendment. The impact of the amendment and early adoption is that the Company only applies IAS 39 derecognition requirements to transactions that occurred after the date of transition.

The following new standards, amendments and interpretations, that have not been early adopted in these interim financial statements will or may have an effect on the Company’s future results and financial position:

a) IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace *IAS 39 - Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the new standard.

b) IFRS 10 - Consolidated Financial Statements

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes *IAS 39 - Financial Instruments: Recognition and Measurement*. The Company has not early-adopted the standard and is currently assessing the impact it will have on the condensed consolidated financial statements.

c) IFRS 11 - Joint Arrangements

IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes current *IAS 31 - Interests in Joint Ventures* and *SIC-13 - Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, and is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently evaluating the impact of this standard on its condensed financial statements.

d) IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently evaluating the impact of this standard on its condensed financial statements.

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4. Adoption of New Accounting Pronouncements and Recent Developments (continued)

e) IFRS 13 - Fair Value Measurements

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently assessing the impact of the standards on its condensed financial statements.

The Company expects that the application of these standards, amendments and interpretations will not have a material impact on the results of operations and financial position of the Company. The following new standards, amendments and interpretations, that have not been early adopted in these condensed interim financial statements, will not have an effect on the Company's future results and financial position:

- IFRS 1: Severe Hyperinflation (Effective for periods beginning on or after July 1, 2011)
- IAS 12: Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 (Effective for periods beginning on or after January 1, 2012)
- Amendments to *IFRS 9 - Financial Instruments* (Effective for periods beginning on or after January 1, 2013)

f) IAS 1 – Presentation of Financial Statements (Amendment)

In June 2011, the IASB and the Financial Accounting Standards Board (FASB) issued amendments to standards to align the presentation requirements for other comprehensive income (OCI). The IASB issued amendments to IAS 1 - Presentation of Financial Statements to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments to IAS 1 set out in Presentation of Items of Other Comprehensive Income and are effective for fiscal years beginning on or after July 1, 2012.

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5. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below:

Rehabilitation provisions

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

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5. Critical Accounting Estimates and Judgments (continued)*Share-based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 19.

Income Taxes

The Company must exercise judgment in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for expected tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes it have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

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6. 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. At September 30, 2011, the Company did not have available-for-sale or held-to maturity financial instruments.

The Company classifies its financial instruments as follows:

Held for trading, measured at fair value	<ul style="list-style-type: none">• Interest rate swaps• Cash and cash equivalents
Loans and accounts receivable, recorded at amortized cost	<ul style="list-style-type: none">• Receivables• Income taxes refundable
Financial liabilities, recorded at amortized cost	<ul style="list-style-type: none">• Lines of credit• Accounts payable and accrued liabilities• Income taxes payable• Notes payable• Loans payable

There were no changes to the Company's approach to capital management during the period ended September 30, 2011.

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7. Cash and Cash Equivalents

	September 30, 2011 \$	June 30, 2011 \$	July 1, 2010 \$
Cash	4,804	5,466	4,572
Short-term deposits	1,603	2,048	956
	<u>6,407</u>	<u>7,514</u>	<u>5,528</u>

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

8. Receivables

	September 30, 2011 \$	June 30, 2011 \$	July 1, 2010 \$
Trade accounts receivable	4,030	3,757	3,144
Allowance for doubtful accounts	(110)	(56)	(75)
Net trade accounts receivable	3,920	3,701	3,069
Other receivables	38	55	98
	<u>3,958</u>	<u>3,756</u>	<u>3,167</u>

9. Inventories

	September 30, 2011			June 30, 2011 \$	July 1, 2010 \$
	Cost \$	Valuation Provision \$	Net \$		
Raw materials	3,559	(282)	3,277	2,490	1,928
Work in process	861	-	861	1,556	980
Finished goods	389	(95)	294	525	927
	<u>4,809</u>	<u>(377)</u>	<u>4,432</u>	<u>4,571</u>	<u>3,835</u>

As of September 30, 2011, the Company recognized a \$377 valuation provision (June 30, 2011 - \$83; July 1, 2010 - \$7). At September 30, 2011, inventories of \$4,227 (June 30, 2011 - \$4,437; July 1, 2010 - \$3,780) were pledged as collateral for bank loans (note 16).

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10. Property, Plant and Equipment

	Land	Machinery and Equipment	Vehicles	Leasehold Improve- ments	Furniture and Fixtures	Total
	\$	\$	\$	\$	\$	\$
Cost						
At July 1, 2010	510	7,873	73	1,973	140	10,569
Purchases	-	615	-	2,601	7	3,223
Disposals	-	(66)	(30)	-	-	(96)
At June 30, 2011	510	8,422	43	4,574	147	13,696
Purchases	(1)	101	-	12	-	112
September 30, 2011	509	8,523	43	4,586	147	13,808
Accumulated depreciation						
At July 1, 2010	-	1,964	63	191	88	2,306
Depreciation expense	-	848	-	119	17	984
Disposals	-	(24)	(30)	-	-	(54)
At June 30, 2011	-	2,788	33	310	105	3,236
Depreciation expense	-	254	-	97	4	355
September 30, 2011	-	3,042	33	407	109	3,591
Net book value						
At July 1, 2010	510	5,909	10	1,782	52	8,263
At June 30, 2011	510	5,634	10	4,264	42	10,460
At September 30, 2011	509	5,482	10	4,179	38	10,218

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

Presentation of the Company's depreciation and amortization expense, including depreciation of intangible assets (note 12), is as follows:

	September 30, 2011	June 30, 2011	July 1, 2010
	\$	\$	\$
Cost of goods sold	349	1,138	1,071
Selling general and administrative expenses	170	739	354
Total depreciation and amortization expense	519	1,877	1,425

At September 30, 2011, the Company had pledged plant and equipment held by Nonferrous and Freedom with a net book value of \$4,646 (June 30, 2011 - \$4,776; July 1, 2010 - \$5,260) as collateral for bank loans (note 16).

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11. Exploration and Evaluation Assets

	Brazil		United States		Total
	Coronel Murta	Santa Maria	Lake George (Boomer)	Spor Mountain	
	\$	\$	\$	\$	\$
At July 1, 2010	-	-	433	503	936
Deferred exploration expenditures					
Administration and general	-	-	-	1	1
Consulting	-	-	-	6	6
Mining research and surveying	-	-	-	9	9
Permits	-	-	61	52	113
At June 30, 2011	-	-	494	571	1,065
Deferred exploration expenditures					
Exploration	-	-	-	100	100
Permits	-	-	60	52	112
At September 30, 2011	-	-	554	723	1,277

In fiscal 2010, the Company decided to focus on its United States properties and wrote off the carrying value of its Brazilian properties but continues to maintain three properties.

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12. Intangible Assets

	Trade Names	Customer Relationships	Technology	Total
	\$	\$	\$	\$
Cost				
At July 1, 2010	1,178	1,657	471	3,306
At June 30, 2011	1,178	1,657	471	3,306
At September 30, 2011	1,178	1,657	471	3,306
Accumulated amortization				
At July 1, 2010	366	456	159	981
Amortization expense	230	(108)	89	211
At June 30, 2011	596	348	248	1,192
Amortization expense	58	95	22	175
At September 30, 2011	654	443	270	1,367
Impairment	-	(585)	-	(585)
Net book value				
At July 1, 2010	812	1,201	312	2,325
At June 30, 2011	582	724	223	1,529
At September 30, 2011	524	629	201	1,354

During fiscal 2011, the Company determined that an impairment of the Freedom customer relationships had occurred based on customer forward orders. As a result of specific customers being lost, an impairment loss of \$nil (June 30, 2011 - \$585; July 1, 2010 - \$nil) was recognized.

13. Goodwill

	\$
At July 1, 2010	2,154
At June 30, 2011	2,154
At September 30, 2011	2,154

Management performed an impairment review as of June 30, 2011 and July 1, 2010 and concluded that there was no goodwill impairment required.

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14. Lines of Credit

	September 30, 2011 \$	June 30, 2011 \$	July 1, 2010 \$
Line of credit with Sandton Credit Opportunities Fund II, LP (maximum \$1,302) at 5.85% collateralized by substantially all of Freedom's assets.	1,302	-	-
Line of credit with Customers Bank (maximum \$2,000) at 5.85% collateralized by substantially all of Freedom's assets.	-	1,302	1,930
Line of credit with BMO Harris Bank (formerly M&I Bank) (maximum \$2,000) at one-month LIBOR plus 3.75% (5% at June 30, 2011), with a minimum rate of 5.00%, collateralized by substantially all of Nonferrous' assets.	2,209	1,749	671
	<u>3,511</u>	<u>3,051</u>	<u>2,601</u>

In addition to the collateral provided by the operating subsidiaries, IBC has guaranteed these lines of credit. In February 2011, the Company renegotiated the repayment of the Customers Bank line of credit by June 30, 2012. In September 2011, Sandton Credit Opportunities Fund II, LP acquired Customers Bank's position.

In October 2011, BMO Harris Bank agreed to extend the line of credit to December 30, 2011 under substantially the same terms and conditions as above. In December 2011, BMO Harris Bank agreed to further extend the line of credit to January 30, 2012.

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15. Accounts Payable and Accrued Liabilities

	September 30, 2011	June 30, 2011	July 1, 2010
	\$	\$	\$
Trade accounts payable	1,492	1,250	1,975
Employee holdings	83	66	-
Accrued liabilities	1,565	1,351	599
Other liabilities	409	615	360
	<u>3,549</u>	<u>3,282</u>	<u>2,934</u>
Other long-term liabilities (a)	621	638	-

- a) Under the terms of the new facility lease entered into during the year ended June 30, 2011, the Company received lease inducements of \$762 which are being amortized on a straight-line basis over the term of the lease. At September 30, 2011, the remaining lease inducement was \$691 (June 30, 2011 - \$708; July 1, 2010 - \$nil).

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16. Loans and Notes Payable

	September 30, 2011 \$	June 30, 2011 \$	July 1, 2010 \$
Loan payable to Sandton Credit Opportunities Fund II, LP in monthly payments of \$55 including interest at 8.00% per year to June 2012, collateralized by substantially all assets of Freedom.	522	-	-
Loan payable to Customers Bank has been revised to monthly payments of \$55 including interest at 8.00% per year to June 2012 (previously August 2016), collateralized by substantially all assets of Freedom.	-	698	918
Loan payable to BMO Harris Bank (formerly 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 21).	1,452	1,474	1,558
Notes payable to vendors of Nonferrous due October 31, 2011 bearing interest at an annual rate of 8%, payable monthly, collateralized by a stock pledge agreement by IBC US and Nonferrous	3,000	3,000	3,000
Loan payable to a finance company in monthly payments of \$1 including interest at 3.90% per year to November 2010, collateralized by the vehicle acquired.	-	-	4
	<u>4,974</u>	<u>5,172</u>	<u>5,480</u>
Financial statement presentation:			
Current portion of loans payable	1,974	2,172	1,007
Long-term loans payable	-	-	1,473
Notes payable	-	-	3,000
Current portion of note payable	<u>3,000</u>	<u>3,000</u>	-
	<u>4,974</u>	<u>5,172</u>	<u>5,480</u>

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

In September 2011, Sandton Credit Opportunities Fund II, LP acquired Customers Bank's position.

In October 2011, the Company paid \$3,000 to the vendors of Nonferrous, satisfying the Company's requirement pursuant to the stock pledge agreement.

In October 2011, BMO Harris Bank agreed to roll over the facility until December 15, 2011 under substantially the same terms and conditions as the original facilities. In December 2011, BMO Harris Bank agreed to further extend the facility until January 15, 2012.

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16. Loans and Notes Payable (continued)

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

<hr/>		
<hr/>		
Period ending June 30		
2012	\$	4,974

The Sandton Credit Opportunities Fund II, LP and BMO Harris 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 certain of its loan agreements with. 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. The Company and Customers Bank entered into a forbearance agreement on March 11, 2011 requiring the repayment of the loan from in the principal amount of \$2,000 in full by June 30, 2012. In September 2011, Customers Bank assigned the rights to the line of credit and term loan to Sandton, a private investment firm. The terms and provisions of the loans have not been modified or amended as a result of the assignment.

Accordingly, the Company is working to replace or repay financing currently provided by Sandton Credit Opportunities Fund II, LP. The Company is no longer able to draw down under its loan facility with Sandton Credit Opportunities Fund II, LP 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 BMO Harris 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 in prior periods. The Company did not comply with certain of these covenants but has received a waiver from BMO Harris Bank.

The Company is currently undertaking a refinancing of its bank loans. If it is not able to complete the refinancing by January 15 (for loan payable) or January 30, 2012 (for line of credit), or is not in compliance with the terms of the forbearance agreement, or if BMO Harris Bank withdraws its waiver, the Corporation may be subject to a seizure of certain of its assets and disruption of its production.

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 BMO Harris Bank (note 16) 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 September 30, 2011 is \$1,452 (June 30, 2011 - \$1,473; July 1, 2010 - \$1,558). The fair value of the interest rate swap at September 30, 2011 is \$12 (June 30, 2011 - \$15; July 1, 2010 - \$54).

The Company chose not to extend the interest rate swap past October 15, 2011.

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18. 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.

	Number of Shares	Issue Price C\$	Common Shares \$
July 1, 2010	191,698,821		31,192
Exercise of warrants	727,800	0.25	124
Private placement	44,722,222	0.18	8,213
Fair value of warrants	-		(204)
Share issue costs	-		(767)
June 30, 2011	237,148,843		38,558
Exercise of warrants	30,000		5
September 30, 2011	254,178,843		38,563

Escrow shares

As at September 30, 2011, there were no common shares held in escrow (June 30, 2011 – nil; July 1, 2010 – 8,468,807). The final escrow release of 8,468,807 common shares occurred on November 23, 2010.

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18. Share Capital (continued)

Share Issuances

In the year ended June 30, 2011

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

Each unit was priced at C\$0.18 and consisted of one common share of IBC and one-half of one common share purchase warrant exercisable at C\$0.25. Each unit warrant entitles the holder to purchase one common share of IBC for a price of C\$0.25 per common share until June 22, 2013.

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

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

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

19. Reserves

Reserves comprise the fair value of stock option grants and warrants prior to exercise and cumulative unrealized gains and losses on foreign exchange.

The following is a summary of changes in reserves from July 1, 2010 to September 30, 2011:

	\$
July 1, 2010	4,692
Fair value of broker warrants	204
Foreign currency translation	7
Share-based compensation	593
June 30, 2011	5,496
Foreign currency translation	1
Share-based compensation	153
September 30, 2011	5,650

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20. Share-Based Payments

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 shares. The exercise price of each option is based on the market price of the Company's stock for a period preceding the date of grant. The options can be granted for a maximum term of ten years and vest as determined by the board of directors. The Company's shares trade in Canadian dollars and options granted to date have been denominated in Canadian funds.

The Company's shareholders approved the stock option plan at the December 2011 shareholders' meeting.

Option Grants

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

	Stock Options Outstanding	Weighted Average Exercise Price
July 1, 2010	14,734,000	C\$0.18
Granted	5,540,000	C\$0.19
Forfeited	(1,225,000)	C\$0.22
June 30, 2011	19,049,000	C\$0.18
Granted	1,625,000	C\$0.23
September 30, 2011	20,674,000	C\$0.19

During the period ended September 30, 2011, the Company recognized total share-based compensation of \$153 (June 30, 2011 - \$585; July 1, 2010 - \$279). The grant-date fair value of the share-based compensation of options granted during the period was \$206 (June 30, 2011 - \$870; July 1, 2010 - \$653).

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20. Share-Based Payments (continued)

At September 30, 2011, the Company had outstanding and exercisable stock options as follows:

Exercise Price	Outstanding Options			Exercisable Options	
	Number	Weighted Average Remaining Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
C\$0.15	8,115,000	1.93 years	C\$0.15	8,115,000	C\$0.15
C\$0.16	200,000	1.52 years	C\$0.16	200,000	C\$0.16
C\$0.17	4,600,000	3.62 years	C\$0.17	2,983,325	C\$0.17
C\$0.18	4,090,000	4.36 years	C\$0.18	1,629,996	C\$0.18
C\$0.185	600,000	4.59 years	C\$0.185	200,000	C\$0.185
C\$0.20	200,000	1.61 years	C\$0.20	50,000	C\$0.20
C\$0.23	1,625,000	4.92 years	C\$0.23	-	C\$0.23
C\$0.26	600,000	4.65 years	C\$0.26	466,666	C\$0.26
C\$0.50	229,000	1.12 years	C\$0.50	229,000	C\$0.50
C\$0.51	40,000	1.61 years	C\$0.51	40,000	C\$0.51
C\$0.55	150,000	2.00 years	C\$0.55	150,000	C\$0.55
C\$0.83	225,000	1.42 years	C\$0.83	225,000	C\$0.83
	20,674,000	3.16 years	C\$0.19	14,288,987	C\$0.18

The weighted average grant-date fair value of options awarded in the period ended September 30, 2011 was \$0.23. The Company employed the Black-Scholes option-pricing model using the following weighted average assumptions:

	2011	2010
Annualized stock price volatility	125%	110%
Risk-free interest rate	2.49%	2.97%
Expected option lives	4.8 years	5.0 years
Dividend yield	0.0%	0.0%

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21. Warrants

	Financing Warrants		Broker Warrants	
	Warrants Outstanding	Weighted Average Exercise Price	Warrants Outstanding	Weighted Average Exercise Price
At July 1, 2010	39,061,723	C\$0.26	4,761,764	C\$0.17
Issued	22,361,111	C\$0.25	3,265,080	C\$0.18
Expired	-	-	(75,000)	C\$0.15
Exercised	-	-	(727,800)	C\$0.16
At June 30, 2011	61,422,834	C\$0.25	7,224,044	C\$0.18
Issued	-	-	15,000	C\$0.25
Expired	-	-	-	-
Exercised	-	-	(30,000)	C\$0.17
At September 30, 2011	61,422,834	C\$0.25	7,209,044	C\$0.18

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

Number of Financing Warrants	Number of Broker Warrants	Exercise Price	Expiry Date
30,441,177	115,775	C\$ 0.25	March 23, 2012
-	3,962,714	C\$ 0.17	March 23, 2012
1,785,714	-	C\$ 0.17	April 16, 2012
6,834,832	-	C\$ 0.29	May 29, 2012
22,361,111	3,130,555	C\$ 0.18	June 22, 2013
61,422,834	7,209,044		

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22. Related Party Transactions

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

September 30, 2011	Director or officer fees \$	Consulting fees \$	Rent \$	Total \$
Delu International Ltd. ¹	38	-	-	38
Lee Rice ²	27	-	3	30
S2 Management Inc. ³	-	6	-	6
Dal Brynelsen ⁴	9	-	-	9
Denis Brady ⁵	9	-	-	9
Ian Slater ⁶	9	-	-	9
Endeavour Resources Ltd ⁷	5	-	-	5
Rafael Hernandes Correa Silva ⁸	6	-	-	6
David Heinz ⁹	9	-	-	9
Total	112	6	3	121

September 30, 2010	Director or officer fees \$	Consulting fees \$	Rent \$	Total \$
Delu International Ltd. ¹	54	-	-	54
Lee Rice ²	19	-	3	22
S2 Management Inc. ³	43	5	-	48
Dal Brynelsen ⁴	9	-	-	9
Denis Brady ⁵	-	-	-	-
Ian Slater ⁶	9	-	-	9
Endeavour Resources Ltd ⁷	6	-	-	6
Rafael Hernandes Correa Silva ⁸	6	-	-	6
Total	146	5	3	154

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. Consulting fees related to a contract employee provided at cost.

⁴ Mr. Brynelsen is a director of the Company.

⁵ Mr. Brady is a director of the Company

⁶ Mr. Slater is a director of the Company

⁷ Endeavour Resources Ltd. is owned by Mr. Azim Nathoo, who is a director of Mineração Berilo do Brasil Ltda.

⁸ Mr. Hernandes Correa Silva is a director of Mineração Berilo do Brasil Ltda.

⁹ Mr. Heinz is a director of the Company

As at September 30, 2011, \$2 (June 30, 2011 - \$65; July 1, 2010 - \$23) is owing to directors and officers for services and \$37 (June 30, 2011 - \$9; July 1, 2010 - \$28) is owing to officers for expenses paid on the Company's behalf. As disclosed in note 16, the Company owes notes payable of \$3,000 to the vendors of Nonferrous. \$1,875 of this amount is due to Denis Brady, who was a director of the Company (note 16). Subsequent to quarter-end, the Company paid the \$1,875 owed to Denis Brady. As of September 30, 2011, the Company has paid \$200 (June 30, 2011 - \$163; July 1, 2010 - \$150) in interest expense and owes \$nil (June 30, 2011 - \$nil; July 1, 2010 - \$nil) in interest costs to Denis Brady.

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

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23. Commitments and Contingencies

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

Period ending June 30	2011
	\$
2011	-
2012	605
2013	516
2014	514
2015	378
2016	320
Subsequent	1,948
	4,281

The Company is contractually committed to purchase, at September 30, 2011 prices, an aggregate of \$7,808 (June 30, 2011 - \$8,420; July 1, 2010 - \$8,976) in raw materials. The contract periods do not coincide with the Company's fiscal year, but the estimated commitment in each fiscal period is as follows:

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

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

	\$
2012	264
2013	220
	484

The Company is also contractually committed to paying \$150 to a company providing consulting services if certain contractual requirements are met.

24. Supplementary Cash Flow Information

Three months ended	September 30, 2011	September 30, 2010
	\$	\$
Cash paid for interest costs	141	90
Depreciation expense included in cost of sales	349	303

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25. Segment Reporting

As at September 30 2011, the Company had four reportable segments: manufacturing, mineral properties and corporate and research and development (“R&D”). The manufacturing segment produces beryllium copper, Beralcast® 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 research and development oversees the Company’s research and development initiatives for new beryllium applications.

The accounting policies of the segments are the same as described in note 3 of these financial statements. IBC’s management evaluates performance based on profit or loss from operations before other items.

	Manufacturing	Mineral Properties	R&D	Corporate	Total
	\$	\$	\$	\$	\$
September 30, 2011					
Sales to external customers	6,100	-	-	-	6,100
Operating income (loss)	(908)	(77)	(87)	(593)	(1,665)
Depreciation and amortization	517	-	-	2	519
Share-based compensation	56	-	4	93	153
Interest income	-	-	-	8	8
Interest expense	(82)	-	-	(60)	(142)
Income tax recovery (expense)	152	30	-	-	182
Property, plant and equipment purchases	99	13	-	-	112
September 30, 2010					
Sales to external customers	6,119	-	-	-	6,119
Operating income (loss)	21	(62)	-	(534)	(575)
Depreciation and amortization	383	21	-	3	407
Share-based compensation	72	-	8	81	162
Interest income	-	-	-	4	4
Interest expense	(90)	-	-	(60)	(150)
Income tax recovery (expense)	-	(8)	-	-	(8)
Property, plant and equipment purchases	196	-	-	-	196

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25. Segment Reporting (continued)

Total assets employed by each division are:

Total assets	September 30, 2011 \$	June 30, 2011 \$	July 1, 2010 \$
Manufacturing	22,335	22,950	20,441
Mineral properties	2,134	1,067	930
R&D	-	-	-
Corporate	6,253	7,510	5,040
	30,722	31,527	26,411

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

Sales	September 30, 2011 \$	September 30, 2010 \$
North America	4,228	3,865
Europe	398	316
Asia	1,474	1,938
	6,100	6,119

The following customers represented more than 10% of sales:

	September 30, 2011		June 30, 2011		July 1, 2010	
	Amount \$	%	Amount \$	%	Amount \$	%
Customer A	742	12.2	3,494	17.2	-	-
Customer B	-	-	-	-	1,509	10.1

Mineral properties, property, plant and equipment, intangible assets and goodwill	September 30, 2011 \$	June 30, 2011 \$	July 1, 2010 \$
United States	14,980	15,061	13,710
Canada	23	25	31
	15,003	15,086	13,741

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26. Financial Risk Management

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

Fair Values

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

Foreign Exchange Risk

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

As at September 30, 2011, with other variables unchanged, a 1% increase (decrease) in the Canadian dollar would increase (decrease) net earnings by approximately \$18 (June 30, 2011 - \$72; July 1, 2010 - \$2).

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

Balance at September 30, 2011	Canadian Dollars
Cash and cash equivalents	1,651
Receivables	31
Accounts payable	149

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

Balance at July 1, 2010	Canadian Dollars
Cash and cash equivalents	187
Receivables	20
Accounts payable	-

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26. Financial Risk Management (continued)

Interest Rate Risk

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

As at September 30, 2011, with other variables unchanged, a 1% increase (decrease) in the interest rate would increase (decrease) net earnings by approximately \$5 (June 30, 2011 - \$12; July 1, 2010 - \$10).

Commodity Price Risk

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

Credit Risk

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

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

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

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

Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. If necessary, it may raise funds through the issuance of debt, equity, or monetization of non-core assets. To ensure that there is sufficient capital to meet obligations, the Company continuously monitors and reviews actual and forecasted cash flows and matches the maturity profile of financial assets to development, capital and operating needs. The Company entered a forbearance agreement with Customers Bank on March 11, 2011 (notes 14 and 16), to allow the orderly repayment of its line of credit and loan payable.

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

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27. Loss Per Share

Three months ended September 30,	2011	2010
	\$	\$
	except share	except share
	amounts	amounts
Loss for the period	(1,615)	(691)
Weighted average number of common shares outstanding	237,163,517	191,698,821
Loss per share, basic and diluted	(0.01)	(0.00)

Diluted loss per share for the periods ended September 30, 2011 and 2010 is the same as basic loss per share as the impact of the exercise of the share options and warrants is anti-dilutive.

28. Events After the Reporting Date

In October 2011, the Company closed a short-form prospectus financing offering (the “Offering”) for the distribution of an aggregate of (i) 7,250,000 units (including 2,250,000 units issued pursuant to the exercise in full of the over-allotment option) at an issue price of C\$0.20 per unit, and (ii) 10,000,000 subscription units pursuant to the terms of an underwriting agreement between IBC and Euro Pacific Canada Inc. (“EPC”) at an issue price of C\$0.20 per subscription unit, on a bought deal basis, for total gross proceeds of C\$3,450 (\$3,428).

Each unit consists of one common share in the capital of IBC and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of C\$0.25 for a period of 24 months from the closing date.

Each subscription unit consists of (i) one unit, (ii) one half of one subscription right, with each whole right giving the holder the right, but not the obligation, to purchase one unit at an issue price of C\$0.20 per unit on the date that is 30 calendar days from the closing date of the Offering (“Subscription Privilege One”); and (iii) one half of one subscription right, with each whole right giving the holder the right, but not the obligation, to purchase one unit at an issue price of C\$0.20 per unit on the date that is 60 calendar days from the closing date of the Offering (“Subscription Privilege Two” and together with Subscription Privilege One, the “Subscription Privileges”). The subscriber did not exercise Subscription Privilege One. If Subscription Privilege Two is exercised in full, the Company will receive aggregate gross proceeds of C\$1,000,000. There is no assurance that Subscription Privilege Two will be exercised, or if exercised, will be exercised in full.

The Company used the net proceeds of the Offering to pay down \$3,000 in notes payable (note 16) and used the remaining funds for general working purposes.

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

In November 2011, the Company granted 400,000 incentive stock options at an exercise price of C\$0.17 each for a term of five years.

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29. First Time Adoption of IFRS

The Company's financial statements for the year ending June 30, 2012 are the first annual financial statements that will be prepared in accordance with IFRS. *IFRS 1 - First Time Adoption of International Financial Reporting Standards*, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was July 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be June 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with Canadian GAAP.

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with Canadian GAAP.

The Company elected to take the following IFRS 1 optional exemptions:

Business Combinations

The Company elected not to retrospectively apply *IFRS 3 - Business Combinations* to any business combinations that may have occurred prior to December 31, 2008 and such business combinations have not been restated.

Share -based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date.

The Company elected to take the following IFRS 1 mandatory exemptions:

Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result any non-derivative financial assets or nonderivative financial liabilities derecognized prior to the Transition Date in accordance with Canadian GAAP have not been reviewed for compliance with IAS 39.

Estimates

The estimates previously made by the Company under Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

Reconciliations of Canadian GAAP equity and comprehensive income to IFRS.

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive income as shown below have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

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29. First Time Adoption of IFRS (continued)

The financial information prepared under IFRS and that prepared under Canadian GAAP for periods beginning on July 1, 2010 have the following major differences:

- a) Under IFRS, the Company recognized the fair value of assets acquired on the purchase of Specialloy. Under Canadian GAAP, these assets were recorded at their historic cost because a shareholder of the Company was one of the vendors of Specialloy.
- b) Under IFRS, the Company revisited the useful life of the components of certain of its manufacturing assets which changed the annual depreciation expense. The change in the carrying value of the manufacturing assets had a corresponding effect on deferred income tax liability and the deferred income tax expense charged to loss for the period.
- c) Under IFRS, purchased intangible assets with the acquisition of Rare Earths Limited did not meet the recognition requirements of IAS38 and so were derecognized. Under Canadian GAAP, it was appropriate to record these assets at the value of the consideration paid.
- d) Under IFRS, each entity in the Company group must determine its functional currency. As a result of this review, the Company determined that the parent company's functional currency is the Canadian dollar. The functional currency of all other companies was the United States dollar. Since these financial statements are presented in United States dollars it is necessary to adjust the difference between the functional currency of the parent company and the presentation currency of the financial statements. Under Canadian GAAP, the parent company maintained its accounts in United States dollars, the same as the presentation currency.
- e) Under IFRS, share-based payment transactions that are subject to graded vesting should have the separate tranches valued and amortized over the respective vesting periods separately as if each tranche was a separate award. Canadian GAAP allows the entire award to be valued together and to be amortized on a straight-line basis over the vesting time of the entire award. Many of the Company's stock options vest over a three-year period. The requirement to adopt graded vesting under IFRS accelerates recognition of share-based compensation expense.
- f) The Company has paid certain costs from Canada that do not form part of its adjusted cost base for tax purposes. Under Canadian GAAP, the Company recognized a deferred tax liability and capitalized the corresponding charge. There is no such requirement under IFRS.
- g) IFRS does not allow the offsetting of related revenues and expenses. Under Canadian GAAP, the Company offset proceeds from the sale of scrap against the cost of sales. Accordingly, the Company has adjusted sales and cost of sales to reflect the value of scrap sales in each period.

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29. First Time Adoption of IFRS (continued)

	Sub- note	June 30, 2011 \$	September 30, 2010 \$	July 1, 2010 \$
Total assets under Canadian GAAP		31,400	25,718	26,474
Adjustments for different accounting treatments:				
Property and equipment assets				
Adjustment to fair value	a	414	-	-
Adjustment to accumulated depreciation	b	438	743	729
Intangible assets	c	(732)	(777)	(792)
Functional currency adjustments				
Prepaid expenses and deposits	d	4	-	-
Property and equipment	d	2	-	-
Other assets	d	1	-	-
Total assets under IFRS		31,527	25,684	26,411
Total liabilities under Canadian GAAP				
Adjustments for different accounting treatments:				
Deferred income taxes	b	14,465 (111)	12,819 (154)	13,030 (167)
Total liabilities under IFRS		14,354	12,665	12,863
Total equity under Canadian GAAP		16,935	12,899	13,444
Adjustments for different accounting treatments:				
Share-based compensation				
Adjustment to expense	e	(8)	(34)	-
Adjustment to reserves	e	8	34	-
Intangible assets written-off	c	(732)	(777)	(792)
Future income taxes				
Adjustment to plant, property and equipment	b	(166)	(118)	(110)
Adjustment to intangible assets	f	277	272	277
Property and equipment assets				
Adjustment to fair value	a	414	414	414
Adjustment to accumulated depreciation	b	438	329	315
Functional currency adjustments				
Reserves	d	-	-	-
Accumulated other comprehensive income	d	-	-	-
Deficit	d	-	-	-
Prepaid expenses and deposits	d	4	-	-
Property and equipment	d	2	-	-
Other assets	d	1	-	-
Total equity under IFRS		17,173	13,019	13,548

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29. First Time Adoption of IFRS (continued)

	Sub - note	Three months ended September 30, 2010 \$	Year ended June 30, 2011 \$
Comprehensive loss under Canadian GAAP		(673)	(4,664)
Adjustments for different accounting treatments:			
Sales of scrap reclassified to sales	g	463	2,481
Sales of scrap reclassified from cost of sales	g	(463)	(2,481)
Property, plant and equipment depreciation	b	14	123
Intangible assets amortization	c	15	60
Stock-based compensation	e	(34)	(8)
Deferred tax expense	b,f	(13)	(56)
Total comprehensive loss under IFRS		(691)	(4,545)