



**IBC ADVANCED ALLOYS CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THREE MONTHS ENDED SEPTEMBER 30, 2011**

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*The following is a management's discussion and analysis ("MD&A") of IBC Advanced Alloys Corp. and its subsidiaries (collectively "IBC"), prepared as of December 28, 2011. This MD&A should be read together with the unaudited interim condensed consolidated financial statements for the three months ended September 30, 2011 and related notes and the audited consolidated condensed financial statements for the year ended June 30, 2011 and related notes.*

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

*As of July 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS"). The Company's unaudited condensed interim financial statements for the three month period ending September 30, 2011, have been prepared in accordance with IAS 34 – Interim Financial Reporting ("IAS 34") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.*

*The accounting policies have been selected to be consistent with IFRS as is expected to be effective on June 30, 2012, the Company's first annual IFRS reporting date. The unaudited condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's fiscal 2011 comparatives in this MD&A have been presented in accordance with IFRS.*

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

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

## **Our Business**

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

There are three distinct aspects to our business:

- **Manufacturing** - We operate four plants in the United States ("US") that manufacture, heat-treat, machine or market copper-beryllium, beryllium-aluminum, copper-based master alloys and similar specialty alloy products. Our manufacturing operations employ 84 people.
- **Research** – We are working on research initiatives with the goal of increasing demand for beryllium-related products. Our principal research initiative is in conjunction with Purdue University ("Purdue") and Texas A&M University ("Texas A&M") to develop an enhanced nuclear fuel. This fuel is intended to operate in both current and next generation reactors

but with a longer fuel life and a higher safety margin. We do not have any employees directly engaged in research.

- Mineral exploration - We own beryllium mineral properties in Utah and Colorado in the US. All of our mineral properties are either formerly operating mines or are adjacent to existing mines. We employ one person to manage our exploration program.

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

### **Corporate Developments**

- In November 2011, we completed the first phase of a drilling program at our Juab County, Utah property. See *Mineral Exploration* below.
- In November 2011, Alastair Neill joined our board as an independent director. Mr. Neill brings over 15 years of direct rare earth elements industry experience with end-users in Asia, Europe and North America.
- In the three months ended September 30, 2011, we generated sales of \$6,100,000, consistent with revenues in the comparative period in 2010. Our results of operations are discussed in further detail below.
- In October 2011, we closed a short-form prospectus offering, raising gross proceeds of C\$3,450,000 (\$3,428,000). See *October 2011 Short-Form Prospectus Offering* below.
- In October 2011, we engaged a high performance autosports materials and metallurgical consultant to assist the Company in developing and implementing a range of business and product development initiatives.
- In June 2011, we closed a short-form prospectus offering, raising gross proceeds of C\$8,050,000 (\$8,213,000). See *June 2011 Short-Form Prospectus Financing* below.
- In May 2011, Major General David Heinz joined our board as an independent director. Major General Heinz is a highly decorated retired senior U.S. Marine Corps officer whose most recent military assignment was as the Program Executive Officer (PEO) for the F-35 Lightning II program.
- In April 2011, we renewed our collaborative research agreements with both Purdue and Texas Engineering Experiment Station ("TEES"), a member institution of Texas A&M, to advance our beryllium oxide nuclear fuels R&D project.

## **Manufacturing Operations**

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

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

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

### *COPPER ALLOYS*

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

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

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

Our Royersford facility has three furnaces that have been adapted to meet the specialized requirements of beryllium alloy manufacturing. We have strong technical and manufacturing engineering resources in the highly specialized beryllium and beryllium containing alloy industry, which have allowed us to develop and integrate proprietary direct chill VLT (very low turbulence) semi-continuous casting technology into a highly autonomous billet manufacturing cell. This effort has resulted in the capability to manufacture large 21-inch diameter beryllium copper input

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billets weighing up to two tonnes. These large-scale as-cast billets exhibit consistently fine-grained, uniform micro-structures coupled with high purity, low carbide chemical compositions.

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

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

During the year ended June 30, 2011, we determined that certain refractory waste could not be disposed of in a landfill since it contains unacceptable metal levels. We have since disposed of this waste in an environmentally appropriate manner.

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

#### *ENGINEERED MATERIALS*

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

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

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

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

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

*ULBA METALLURGICAL PLANT*

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

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

In March 2010, we signed long-term beryllium supply agreements for beryllium, as well as beryllium copper master alloy, with Ulba. Under the terms of the agreements, Ulba and IBC have committed to (1) multiple-year supply commitments for beryllium metal and beryllium copper master alloys, (2) explore strategic partnerships, which may include direct or indirect investment that will support the growth of the beryllium business for the benefit of both parties, and (3) assess the feasibility of a Kazakhstan-based high volume beryllium oxide production facility to support our growing nuclear fuels initiatives. We previously signed a letter of intent with Kazatomprom in November 2009.

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

*OPERATING PERFORMANCE AND OUTLOOK*

Our first quarter operating performance reflected strong sales of copper alloys; a sharp decline in copper prices in the summer (from about \$4.50 per pound in July 2011 to \$3.30 per pound in December 2011) adversely affected our operating margins since our cost of copper held in inventory was significantly higher than the eventual selling price. Sales of our engineered materials improved over the fourth fiscal quarter when the plant was relocated, but remain lower than expected due customer delivery requirements. We expect that our manufacturing operations' financial performance will improve in the second fiscal quarter. While order backlogs for our manufacturing operations remain strong, we are concerned about the medium-term sales outlook due to the uncertain outlook for the economy as a whole.

Approximately 85% of our revenues are derived from copper alloys and we do not expect this proportion to change significantly over the next six months or so. The US and Canada currently account for about 70% of our sales, unchanged from fiscal 2011, and we are working on expanding the proportion of sales outside the US by improving our distribution network in Europe and Asia.

We pass the cost of copper through to our customers and do not hold large inventories of copper. Accordingly our profitability is not, in the long term, affected by the price of copper

except to the extent that high copper prices discourage consumption. In the short term, price fluctuations can have a bearing on our profitability, but the effect is unlikely to be material unless the price movements are very marked (as was the case in our first quarter).

## **Research Initiatives**

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

### *NUCLEAR FUELS*

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

### *Previous Work*

Previous work by Purdue nuclear engineers showed that an advanced UO<sub>2</sub> – BeO nuclear fuel could potentially save billions of dollars annually by lasting longer and burning more efficiently than conventional nuclear fuels while at the same time dramatically impacting the demand for beryllium and beryllium oxide. In addition to the cost savings, an advanced UO<sub>2</sub> – BeO nuclear fuel could also contribute significantly to the operational safety of both current and future nuclear reactors due to its superior thermal conductivity and associated decrease in risks of overheating or meltdown.

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

### *IBC-Sponsored Research*

Under the terms of the agreements, IBC has an option to enter into an exclusive royalty-bearing license for commercial application to the intellectual property relating to the development of an advanced BeO nuclear fuel (the "IP") with both Purdue and TEES.

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

thermal conductivity material such as beryllium oxide using controlled microstructures in the product.

In January 2011, we received reports on the 2008-2010 phase of research and initial testing. These reports concluded that  $UO_2 - BeO$  fuel is longer lasting, more efficient and provides a larger safety margin than current nuclear fuels. The initial testing included nuclear engineering simulations and thermal modelling which successfully demonstrated the potential benefits of this fuel in light water reactor systems. The experimental and computational work carried out to date provides a solid understanding of unirradiated  $UO_2 - BeO$  behaviour and a clear path for additional work. Preliminary processing methods have been experimentally demonstrated to produce materials for validation measurements; this work will continue in the next phase along with an expanded research mandate to further validate the technology and complement the work to date. We are developing a work plan and the cost of the next phase of research.

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

#### *Fuel Fabricator Partnership*

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

#### *Ceramic Tubular Products*

In October 2011, we signed a memorandum of understanding with Ceramic Tubular Products, LLC ("CTP") to jointly advance and develop our respective nuclear fuel technologies to address operational and performance issues with light water reactor ("LWR") fuel systems. The technologies developed by IBC and CTP are complementary and have the potential to deliver fuel performance improvements and operational safety benefits to the nuclear industry.

CTP, based in Rockville, MD and Lynchburg, VA, has been developing an advanced nuclear fuel ceramic cladding, silicon carbide triplex cladding, primarily for existing LWRs. This technology aims to improve the economics of the nuclear industry by increasing safety margins and overall fuel performance. IBC and CTP are evaluating whether our BeO enhanced fuel will help allow CTP's fuel cladding achieve its full potential in commercial service.

#### *Nuclear Fuels Management and Advisory Board*

James Malone is our vice president of nuclear fuels. He is former vice president of nuclear fuels for Exelon, a wholly owned subsidiary of Exelon Corp., and has more than 40 years of experience in the nuclear power industry, focused on the technical, economic and planning

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aspects of nuclear fuels. At Exelon, he was responsible for their nuclear fuel cycle activities, including procurement, safeguards, economics, and fuel cycle cost. Exelon operates the largest nuclear reactor fleet in the US and the third largest fleet in the world. Mr. Malone is also the board chairman of Hathor Exploration Ltd., a uranium exploration and development company.

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

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

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

#### *WIND TURBINES*

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

#### *HYDROGEN FUEL STORAGE*

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

### **Mineral Exploration**

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

We plan to undertake exploration in several phases and expect to undertake most of our exploration work at our Spor Mountain property. Total exploration and property maintenance expenditures in the three months ended September 30, 2011 were \$212,000, which included \$100,000 spent on the drill program.

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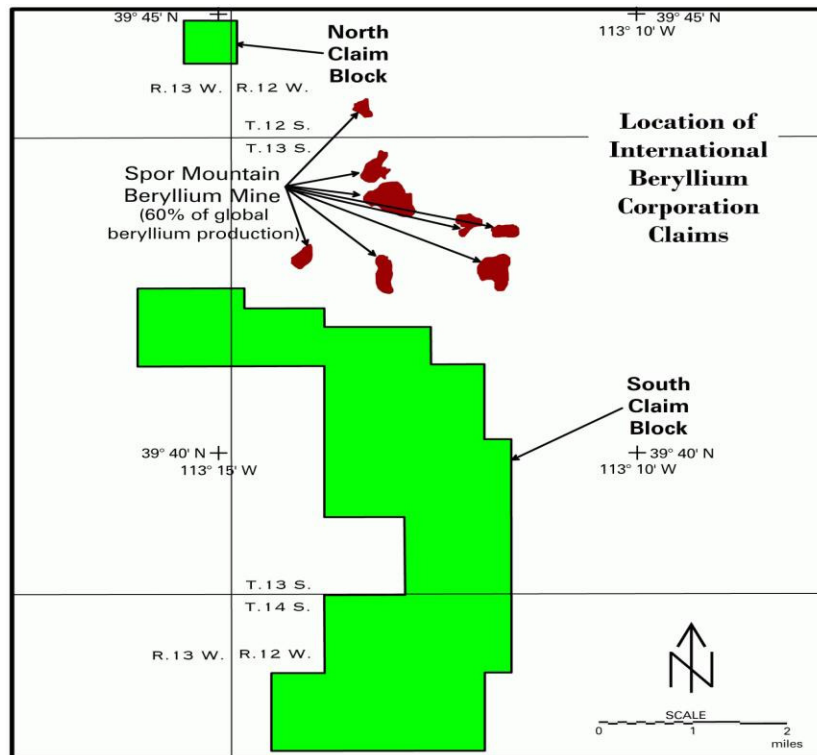
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Only two beryllium minerals are of commercial importance for the production of beryllium. Bertrandite is the principal beryllium mineral mined in the United States. Beryl (from pegmatite) is the principal beryllium mineral mined in the rest of the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

*SPOR MOUNTAIN, JUAB COUNTY, UTAH*

*Property Description and Location*

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



*Previous History*

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

*Exploration*

Our Utah mineral claims about the mineral property of Materion Corporation (formerly Brush Engineered Materials, Inc.) ("Materion") at Spor Mountain. Materion operates five open pit mines

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in this location and reports that it produced 56,000 tons of bertrandite ore in 2010 grading 0.34% beryllium. This constituted approximately 60% of world beryllium production, but Materion has not been in full production and lack of additional exploration has led to declining reserves over the last several years.

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

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

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

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

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

*Plan*

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

In September 2011, we signed a contract with Layne Christensen Drilling, of Chandler, AZ, to perform a first phase drilling program. In November 2011, we completed the first phase of the drilling program, a "fence" of 35 reverse circulation drill holes spanning the east-west extent of the southwest flank of Spor Mountain in Juab County, Utah which were completed ahead of schedule. This line of drill holes tested several target zones identified in previous field work and a 2010 geophysical survey of the area.

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The drill program consisted of 35 holes totalling 5,500 metres of reverse circulation drilling to test target zones in the volcanic tuff and in the underlying Bell Hill Dolomite unit in the claim area immediately south of Starvation Canyon Wash. The program collected 5,250 rock chip samples at 1-metre vertical intervals. The approximately 229 tonnes (252 short tons) of sampled rock is being dried and split into 250-gram portions to be shipped to the ALS Minerals preparation laboratory in Elko, Nevada where it will be oven-dried and then pulverized (85% passing 75 micron). The "pulp" will then be shipped to ALS Minerals in Vancouver, BC, for analysis of beryllium, uranium, thorium, and rare earths elements content in addition to several other elements.

This first phase program was designed to test the presence and concentration of fluoritebertrandite replacement of dolomite fragments that constitute the ore in the nearby Materion (formerly Brush-Wellman) Spor Mountain mine pits and penetrated the volcanic tuff layer to test the presence and concentration of beryllium in the underlying Bell Hill Dolomite. All results will be reported as they are received from the laboratory in order to characterize the rock units and begin quantifying the beryllium resource within the claim block. The Company expects to receive laboratory analytical results from the first phase of the drill program in early 2012. Reclamation of the roads and drill pads has commenced and reseeding of the entire disturbed area with native vegetation is scheduled for completion in December 2011.

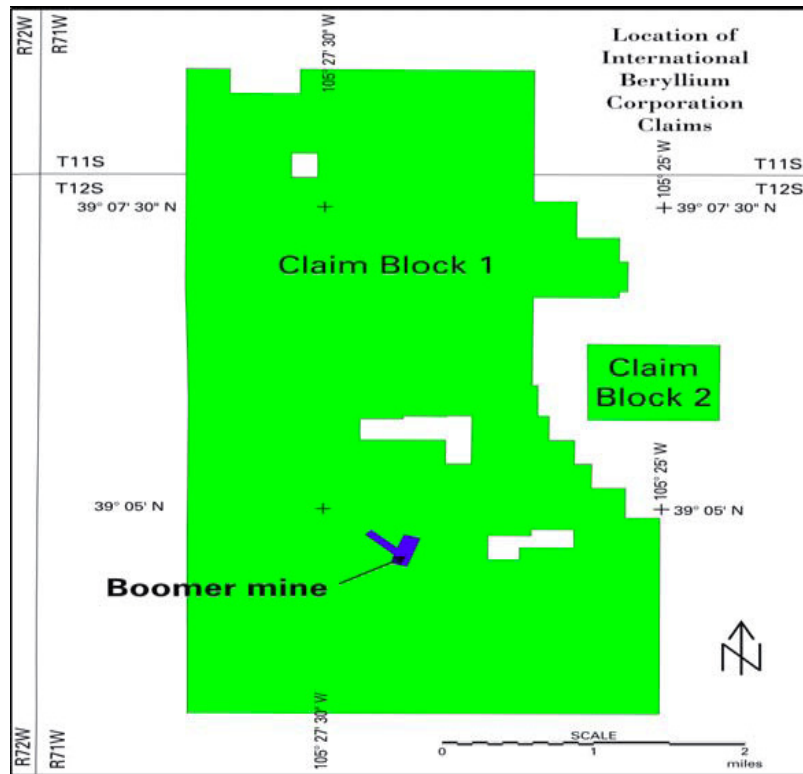
The projected cost of the 2011 exploration program is \$1.0 million. The Company expects to announce drill results in early 2012.

*LAKE GEORGE, PARK COUNTY, COLORADO*

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

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*Property Description and Location*

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

*Previous History*

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

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

*Exploration*

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

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*Plan*

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

**Financial**

*SELECTED QUARTERLY INFORMATION*

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

Quarter Ended	Accounting Principles	Revenue	Loss for the period	Basic and diluted loss per share
		\$000	\$000	\$
December 31, 2009	Canadian GAAP	3,744	(479)	(0.00)
March 31, 2010	Canadian GAAP	4,034	(798)	(0.01)
June 30, 2010	Canadian GAAP	4,571	(2,040)	(0.01)
September 30, 2010	IFRS	6,119	(691)	(0.00)
December 31, 2010	IFRS	5,095	(652)	(0.00)
March 31, 2011	IFRS	5,909	(839)	(0.00)
June 30, 2011	IFRS	5,813	(2,363)	(0.01)
September 30, 2011	IFRS	6,100	(1,615)	(0.01)

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

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

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*RESULTS OF OPERATIONS*

We incurred a loss of \$1,615,000 for the three months ended September 30, 2011 compared to a loss of \$691,000 in the comparative 2010 period and a loss of \$2,363,000 for the quarter ended June 30, 2011. The most significant factor affecting our operating performance in our first fiscal quarter was our low gross margin. With the price of copper declining from a high of about \$4.50 in July 2011 to \$3.15 in September 2011, much of our production included copper with a cost greater than its eventual selling price. We estimated that declining copper prices reduced gross profit by \$294,000. It should be noted these large swings in copper prices are well outside of historical price movements and are reflective of current global economic uncertainty. In addition, we experienced limited supply of a specific raw material and incurred significant costs developing production techniques for a specialty copper alloy that we believe will allow us to further increase sales. These all resulted in higher than normal production costs. Sales at our engineered materials operations were less than expected; since we have significant fixed facility and depreciation costs lower sales can result in significantly lower operating margins.

Our loss before other items ("operating loss") for the three months ended September 30, 2011 was \$1,665,000 compared to an operating loss of \$575,000 in the comparative 2010 period. We have continued to invest in growth, particularly:

- ongoing in-house business development activities including staff and travel to prospective customers and trade shows;
- business development and investor communications consultants; and
- additional overhead resulting from the development of our engineered materials operations.

In the first fiscal quarter, we also incurred higher consulting fees relating to our ongoing efforts to improve our raw material supply.

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

Three months ended September 30 \$000	2011 \$	2010 \$
<i>Segment revenues</i>		
Manufacturing	6,100	6,119
Mineral properties	-	-
Corporate	-	-
Total revenues	<u>6,100</u>	<u>6,119</u>
<i>Segment operating loss (income)</i>		
Manufacturing	(908)	21
Mineral properties	(77)	(62)
Research	(87)	-
Corporate	(593)	(534)
Loss before other items	<u>(1,665)</u>	<u>(575)</u>

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

*Manufacturing*

- The manufacturing segment income relates to revenues and expenses of our manufacturing plants. Our manufacturing operations as a whole are operating below capacity but have significant amortization charges (particularly for our new Wilmington, MA plant), so while we report an operating loss, the cash flow performance of our manufacturing operations is significantly better.
- Our gross profit was determined as follows:

Three months ended September 30 \$000	2011 \$	2010 \$
Sales	6,100	6,119
Cost of sales		
Materials	4,149	2,880
Labour	812	911
Overhead	945	859
Depreciation	299	258
Change in finished goods	(198)	189
Total cost of sales	6,007	5,097
Gross profit	93	1,022

- Following the adoption of IFRS, scrap sales are now included in sales revenue. They were previously offset against the cost of materials in the cost of sales.
- Our gross profit margins in the first quarter of fiscal 2012 was adversely affected by declining copper prices and other factors, as disclosed above. In the comparative period, our margins were adversely affected by operating problems at our Royersford facility, but operational improvements implemented in the interim have significantly improved operating performance of this facility.
- The comparative salaries and wages expense includes \$60,000 of severance costs.

*Mineral Properties*

- The mineral properties loss relates to the cost of maintaining our Denver office where our staff and contractors plan and manage our mineral exploration activities. We capitalize the direct costs of finding, maintaining and exploring our mineral properties. Our expenditures on mineral property administration have increased in the last year as we have been undertaking exploration programs.

*Research*

- Research primarily relates to our nuclear fuel research agreements with Purdue and TEES, under which we made quarterly payments of \$66,000 until February 2013, and the direct costs of administering our research initiative.

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*Corporate*

- The corporate loss relates to expenses incurred to manage the overall group, including senior management, fundraising initiatives, business development activities, public company costs and any expenses not directly related to manufacturing or mineral exploration.
- Consulting fees consist of payments made for general corporate consulting and advice, market assessment and industry research and non-audit or accounting services. We are also undertaking governmental relations initiatives at the corporate level that we hope will ultimately benefit our manufacturing operations.
- Investor relations expense largely comprises consulting fees paid to communicate information about us to current and prospective investors. We have advanced our business plan in the last year and, accordingly, have incurred higher expenses to communicate these developments.
- Salaries, wages, and management fees include the cost of company personnel other than the cost of manufacturing employees included in the cost of sales.
- Professional fees comprise audit, legal and valuation fees, other than legal fees incurred to acquire properties or for financings, which are capitalized. We expect that professional fees will increase in the second quarter due to the financing completed in October 2011, but will return to historical levels in future periods.
- Travel costs increased as a result of business development initiatives and ongoing efforts to form alliances with industry partners.

*Other Income (Expense)*

- Our manufacturing operations incurred interest expense primarily on line of credit and term loan facilities. Further particulars of our interest charges can be found in notes 14 and 16 of our financial statements.

*Income Taxes*

- We generated an income tax recovery in the current period due to our operating losses. Deferred income taxes relate to timing differences on long-term assets and do not result in a cash flow.

*LIQUIDITY AND CAPITAL RESOURCES*

At September 30, 2011, we had working capital of \$3,059,000 including cash and equivalents of \$6,407,000, as compared to working capital of \$4,396,000 at June 30, 2011. The decline in working capital has been adversely affected by certain term debt becoming current in the period as discussed below. Factors affecting our liquidity include:

- Our established copper alloys manufacturing operations generate enough cash to independently support their operations. Our engineered materials operations depend on generating new business to generate positive cash flow. If our copper alloys business slows down or if our engineered materials operations do not increase sales, we will have to reallocate funds intended for business expansion to supporting our operations. The main limitation on our cash position is the cost of maintaining our corporate office and funding exploration and research and other development initiatives. Related to this are restrictions imposed by our banks that currently prevent us from transferring funds from our manufacturing operations to our head office. Consequently, at present, our corporate

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office, research and development and mineral property exploration activities are entirely dependent on our ability to raise equity funds.

- Our manufacturing subsidiaries have entered into bank loan agreements that require that they maintain a specified debt coverage ratio, debt to equity ratio and minimum tangible net worth. Failure to conform to these covenants could result in the subsidiaries' banks demanding immediate repayment of the loans. Customers Bank, which lent to our Royersford operations, demanded repayment of its loans. In March 2011, we entered into a forbearance agreement that resulted in accelerated loan payments and an obligation to repay all debts to Customers Bank by June 30, 2012, but the obligation to immediately repay our bank loans was withdrawn. In September 2011, Customers Bank sold its loans to Sandton Credit Opportunities Fund II, LLP, but we do not expect that this transaction will have any effect on us. We would like to expand our existing credit facility with BMO Harris Bank (formerly M&I Bank) to cover our Royersford operations but there can be no assurance that we will be successful in doing so.
- We have materials purchase commitments, as detailed in our financial statements, that may exceed our operational needs with the result that we over-invest in inventory.
- On October 31, 2011, we repaid the \$3,000,000 debt relating to the purchase of Nonferrous from the proceeds of our October 2011 equity offering (see *Short-Form Prospectus Offering* below).
- Our bank loans due to BMO Harris Bank are due January 15, 2012 and January 30, 2012. We intend to refinance these debts with BMO Harris Bank, which is preparing the necessary documents.
- Resource prices, particularly for copper, have a bearing on our manufacturing costs and selling prices, as copper is a large component of most of our products.
- The improvement in sales we are experiencing has resulted in additional working capital requirements as inventory and receivables increase. We have partially financed this working capital from bank loans, but such bank borrowings may not be available to us.
- We subcontract certain manufacturing processes to suppliers. Any delays in the suppliers performing their work can result in us carrying more inventory than is desirable and slow cash collections.

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

#### *RELATED PARTY TRANSACTIONS*

##### *Transactions*

Particulars of our transactions with related parties are disclosed in note 22 to our September 30, 2011 financial statements. We do not have any contractual relationships with other directors or officers except that in February 2011, we renewed a premises lease with a company in which Lee Rice, our VP of exploration, holds an interest. Pursuant to the agreement, we agreed to pay \$875 monthly and the term of the lease is for one year, expiring on January 31, 2012.

#### *FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS*

Our activities expose us to a variety of financial risks, including foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. We use an interest rate swap (see

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note 17 of our September 30, 2011 financial statements) to manage interest rate risk but we do not use foreign exchange contracts or commodity price contracts. We do not have a practice of trading derivatives. We attempt to employ a natural hedge for foreign currency by holding funds in the currency in which we expect to spend the monies.

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

*INTERNATIONAL FINANCIAL REPORTING STANDARDS*

Effective with the beginning of the fiscal 2012 reporting year, we now prepare financial statements under International Financial Reporting Standards ("IFRS"). We have completed an evaluation of the impact of IFRS on our financial accounting and reporting systems and have prepared accounting information under IFRS for comparative purposes effective July 1, 2010.

The condensed unaudited interim consolidated financial statements for the three months ending September 30, 2011, have been prepared in accordance with IAS 34, using accounting policies consistent with IFRS. These are our first financial statements prepared in accordance with IAS 34 using accounting policies consistent with IFRS. Previously, we prepared our annual and interim financial statements in accordance with Canadian GAAP.

The accounting policies listed below have been applied consistently to all of the periods presented in the financial statements. They have also been applied in preparing an opening IFRS statement of financial position as at July 1, 2010, for the purpose of transition to IFRS, as required by *IFRS 1 - First Time Adoption of International Reporting Standards* ("IFRS 1").

*Impact of Adopting IFRS on the Company's Business*

The adoption of IFRS has resulted in some changes to our accounting systems and business processes; however, the impact has been minimal. We have not identified any contractual arrangements that are significantly impacted by the adoption of IFRS.

IBC's officers and staff involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies. The board of directors and audit committee have been updated throughout the IFRS transition process and are aware of the key aspects of IFRS affecting IBC.

*Impact of Adopting IFRS on the Company's Accounting Policies*

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment, which are disclosed in note 29 of the September 30, 2011 financial statements.

We have changed certain accounting policies to be consistent with IFRS effective June 30, 2012, our first annual IFRS reporting date. The changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets equity and expenses within its financial statements. The following IFRS standards have the most significant impact on IBC:

**IFRS 2 – Share Based Payments**

Both Canadian GAAP and *IFRS 2 – Share Based Payments*, measure share-based compensation related to share purchase options at the fair value of the options granted. We have used the Black-Scholes option-pricing model and recognized this expense over the vesting period of the options. Share based payments are generally valued similarly under Canadian GAAP and IFRS when the options vest immediately. There is a difference when the options vest

over time: under Canadian GAAP, we recognized the expense evenly over the vesting period; under IFRS, we employ graded vesting the result that the expense is recognized more quickly. In addition, under IFRS 2, the definition of an employee is broader allowing us to group employees and others providing similar services together.

#### **IFRS 6 – Exploration and evaluation of mineral resources**

Both Canadian GAAP and *IFRS 6 – Exploration and Evaluation of Mineral Resources* permit an exploration company to expense or capitalize exploration costs in certain circumstances. We capitalized exploration costs under Canadian GAAP and plan to continue doing so under IFRS.

#### **IAS 1 – Presentation of Financial Statements**

*IAS 1 - Presentation of Financial Statements* does not permit the offsetting of revenue and expenses unless specifically permitted by another IFRS. Under Canadian GAAP, we offset scrap sales against the cost of materials. In preparing our IFRS financial statements, we have reclassified scrap sales to eliminate this offsetting. While this change does not affect our total comprehensive loss, it does result in sales and cost of sales being higher than they would have been under our Canadian GAAP accounting policies.

#### **IAS 16 – Property and equipment**

Under the cost method, IAS 16 requires property equipment to be separated into its significant components and depreciated according to the useful life of those particular components. IAS 16 also requires the depreciation to commence when an asset is “available for use”, which is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Furthermore, under IFRS, the cost of major overhauls on items of property and equipment is capitalized as a component of the related item of property and equipment and depreciated over the period until next major overhaul.

#### **IAS 21 – The Effects of Changes in Foreign Exchange Rates**

Under Canadian GAAP, we maintained all our accounting records in United States dollars. IFRS requires that each corporate entity undertake an assessment of its “functional currency”, which is the currency of the primary economic environment in which the entity operates. After completing this review, we concluded that the functional currency of the parent company is the Canadian dollar but that the functional currency of our other companies is the United States dollar. Under Canadian GAAP, the change in the United States dollar value of Canadian dollar-denominated monetary assets was charged to operations in the period. Under IFRS, the change in the United States dollar value of the parent company's assets appears as a component of other comprehensive income.

#### **IAS 36 – Impairment of Assets**

The need to address impairment is substantially the same as under Canadian GAAP. There is a difference, however, in how the impairment amount is quantified. IAS 36 uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of (1) value in use; and (2) fair value less costs to sell. Value in use is defined as being equal to the present value of future cash flows expected to be derived from the asset in its current state. In the absence of an active market, fair value less costs to sell may also be determined using discount cash flows. Canadian GAAP uses undiscounted future cash flows are compared to the asset's carrying value to determine if impairment exists.

The difference between the one-step (IFRS) and two-step (Canadian GAAP) approaches to determining whether an impairment has occurred does not have a bearing on IBC's mineral properties as we made a determination at June 30, 2010 to test for impairment under Canadian GAAP. Given that our mineral properties are not readily comparable to other mineral properties

and since it isn't practical to determine a cash exchange value, we use our market capitalization to determine fair value. We will use the Canadian GAAP fair value as the basis for its IFRS opening carrying value.

IFRS requires impairment to be reversed if the underlying assumptions have changed. An increase in our market capitalization would result in an increase in the carrying value of mineral properties, assuming there were no other impairment considerations in the interim.

Please refer to note 3 of the condensed consolidated interim financial statements for a summary of our accounting policies to be consistent with IFRS effective June 30, 2012, our first annual IFRS reporting date.

#### *Reconciliations Between Canadian GAAP and IFRS*

Please refer to the note 29 of the interim consolidated financial statements for reconciliations from Canadian GAAP to IFRS of our:

- statements of financial position at July 1, 2010, September 30, 2010 and June 30, 2011; and
- statements of comprehensive loss for the period ended September 30, 2010 and the year ended June 30, 2011.

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

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

To mitigate these potential risks we:

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

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

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

To minimize the risks arising from pre-acquisition activities, we commissioned phase one environmental reviews prior to acquiring our copper alloys businesses. It may be possible that environmental problems remain at our facilities that these phase one assessments did not uncover.

## **Shareholders' Equity**

### *PROSPECTUS OFFERINGS*

#### *June 2011 Short-term Prospectus Offering*

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

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

#### *October 2011 Short-Form Prospectus Offering*

In October 2011, we raised gross proceeds of C\$3,450,000 (\$3,428,000) through a short-form prospectus offering of:

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

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

Each subscription unit consists of (a) one unit, (b) one-half of one subscription right, with each whole right giving the holder the right, but not the obligation, to purchase one unit at an issue price of C\$0.20 per unit on November 24, 2011 ("Subscription Privilege One"); and (c) one half of one subscription right, with each whole right giving the holder the right, but not the obligation, to purchase one unit at an issue price of C\$0.20 per unit on December 24, 2011 ("Subscription Privilege Two" and together with Subscription Privilege One, the "Subscription Privileges").

In November 2011, Subscription Privilege One expired unexercised. If Subscription Privilege Two is exercised in full, we will receive additional gross proceeds of C\$1,000,000, but we consider exercise of the Subscription Privilege Two to be very unlikely. We used the net proceeds of the offering to repay notes payable of \$3,000,000.

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*OTHER SHARE ISSUANCES*

In August 2011, warrant holders exercised warrants to purchase 30,000 common shares at C\$0.17 for gross proceeds of \$5,100 and upon exercise were then issued 15,000 share purchase warrants exercisable at C\$0.25.

*STOCK OPTIONS*

We have a rolling 10% stock option plan that allows for the issuance of options equal to 10% of the number of issued shares. Our 2011 stock option plan was approved by shareholders at our annual general meeting held in December 2011

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

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

In November 2011, we granted 400,000 incentive stock options to a director at an exercise price of C\$0.17 until November 10, 2011.

*OUTSTANDING SHARE DATA*

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

- A total of 254,428,843 common shares.
- Warrants to purchase 78,636,878 common shares.
- Subscription rights to purchase 5,000,000 common shares.
- Stock options to purchase 21,324,000 common shares.

The maximum number of shares potentially issuable is therefore 359,386,721.