



IBC Advanced Alloys

**IBC ADVANCED ALLOYS CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Expressed in United States Dollars

Unaudited – Prepared by Management

**MARCH 31, 2015**



**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 nine months ended March 31, 2015 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 Professional 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)

	Note	March 31 2015 \$	June 30 2014 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	185	1,500
Receivables	7	2,571	2,358
Inventories	8	5,421	5,188
Prepaid expenses and deposits		201	133
<b>Total current assets</b>		<b>8,378</b>	<b>9,179</b>
<b>Non-current assets</b>			
Deposits		351	360
Property, plant and equipment	9	7,384	7,857
Intangible assets	10	11	11
Other assets		7	7
<b>Total non-current assets</b>		<b>7,753</b>	<b>8,235</b>
<b>Total assets</b>		<b>16,131</b>	<b>17,414</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Lines of credit	11	2,843	2,223
Accounts payable and accrued liabilities	12, 18	2,775	2,966
Unearned revenue		126	28
Current portion of loan payable	13	85	1,282
<b>Total current liabilities</b>		<b>5,829</b>	<b>6,499</b>
<b>Non-current liabilities</b>			
Loan payable	13	1,148	-
Lease inducement	12	373	426
Deferred income taxes		562	781
<b>Total non-current liabilities</b>		<b>2,083</b>	<b>1,207</b>
<b>Total liabilities</b>		<b>7,912</b>	<b>7,706</b>
<b>EQUITY</b>			
Share capital	14	45,998	45,811
Reserves	15	7,159	7,028
Deficit		(44,938)	(43,131)
<b>Total equity</b>		<b>8,219</b>	<b>9,708</b>
<b>Total liabilities and equity</b>		<b>16,131</b>	<b>17,414</b>

On behalf of the board of directors:

<u>"Dal Brynelsen"</u>	Director	<u>"David Heinz"</u>	Director
Dal Brynelsen		David Heinz	

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)

	Note	Three months ended March 31		Nine Months Ended March 31	
		2015	2014	2015	2014
		\$	\$	\$	\$
<b>Revenue</b>		4,479	3,867	14,212	12,605
<b>Cost of revenue</b>		4,071	3,436	13,104	11,467
<b>Gross profit</b>		408	431	1,108	1,138
<b>Selling, general and administrative expenses</b>					
Consulting fees	18	-	64	25	246
Depreciation and amortization	9, 10	4	4	13	53
Director fees	18	25	18	77	54
Doubtful debts (recovery)		35	(43)	(165)	36
Investor relations		49	57	195	130
Office and miscellaneous		119	231	365	706
Professional fees		97	56	191	164
Public company costs		13	35	46	72
Rent		65	-	204	-
Research and development		-	21	-	34
Salaries, wages and management fees	18	681	514	1,850	1,538
Share-based compensation	16	62	63	130	172
Travel, meals and entertainment		41	40	170	120
		1,191	1,060	3,101	3,325
<b>Loss before other items</b>		(783)	(629)	(1,993)	(2,187)
<b>Other income (expense)</b>					
Foreign exchange loss (gain)		4	(2)	26	(2)
Interest expense	11, 13	(36)	(29)	(102)	(98)
Gain (loss) on disposal of assets		-	-	9	(10)
Interest income		-	-	1	1
Other income (loss)		29	75	52	248
<b>Loss before income taxes</b>		(786)	(585)	(2,007)	(2,048)
<b>Income tax (expense) recovery</b>					
Current		(10)	(2)	(19)	(4)
Deferred		214	-	219	-
		204	(2)	200	(4)
<b>Loss for the period</b>		(582)	(587)	(1,807)	(2,052)
<b>Other comprehensive loss</b>					
Foreign currency translation		24	27	1	105
<b>Total comprehensive loss for the period</b>		(558)	(560)	(1,806)	(1,947)
<b>Basic and diluted loss per common share</b>		(0.01)	(0.01)	(0.02)	(0.03)
<b>Weighted average number of common shares outstanding</b>		80,585,813	66,390,636	80,315,670	63,578,767

See accompanying notes

**IBC ADVANCED ALLOYS CORP.**  
**Condensed Consolidated Interim Statement of Cash Flows**  
(US dollars in thousands)

Nine months ended March 31	2015 \$	2014 \$
<b>Cash flows from (used in) operating activities</b>		
Loss for the period	(1,807)	(2,052)
Adjustments for:		
Deferred income taxes	(219)	-
Share-based compensation	130	172
Consulting fee settled with shares	-	84
Non-cash loss on disposal of assets	(9)	10
Services paid through issuance of shares	-	84
Doubtful debts expense (recovery)	(165)	36
Depreciation and amortization	653	771
Unrealized foreign exchange loss	1	59
Interest income	(1)	(1)
Interest expense	102	98
Changes in non-cash working capital items:		
Receivables	(56)	413
Income tax payable	-	4
Inventories	(233)	(514)
Prepaid expenses and deposits	(68)	(218)
Accounts payable and accrued liabilities	(159)	(205)
Unearned revenue	98	52
Cash used in operations, before tax	(1,733)	(1,207)
Income taxes	-	-
Net cash used in operating activities	(1,733)	(1,207)
<b>Cash flows from financing activities</b>		
Warrants exercised	-	257
Issuance of shares	187	2,775
Share issue costs	-	(428)
Interest paid	(84)	(98)
Loan repayments	(49)	(64)
Net line of credit advances (repayment)	620	(206)
Net cash provided by financing activities	674	2,236
<b>Cash flows used in investing activities</b>		
Interest received	1	1
Purchase of plant and equipment	(180)	(84)
Net cash used in investing activities	(179)	(83)
<b>Foreign exchange effect on cash</b>	(94)	(89)
<b>Change in cash and cash equivalents during period</b>	(1,332)	857
<b>Cash and cash equivalents, beginning of period</b>	1,517	1,070
<b>Cash and cash equivalents, end of period</b>	185	1,927

See accompanying notes

**IBC ADVANCED ALLOYS CORP.**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
(US dollars in thousands)

	Note	Share Capital \$	Reserves \$	Deficit \$	Equity \$
At June 30, 2013		43,357	6,612	(40,287)	9,682
Foreign currency translation		-	105	-	105
Warrants exercised	14	256	-	-	256
Private placement		2,433	-	-	2,433
Share issue costs		(172)	-	-	(172)
Shares issued for services	14	84	-	-	84
Share-based compensation	16	-	172	-	172
Loss for the period		-	-	(2,052)	(2,052)
At March 31, 2014		45,958	6,889	(42,339)	10,508
At June 30, 2014		45,811	7,028	(43,131)	9,708
Foreign currency translation		-	1	-	1
Warrants exercised	14	187	-	-	187
Share-based compensation	16	-	130	-	130
Loss for the period		-	-	(1,807)	(1,807)
At March 31, 2015		45,998	7,159	(44,938)	8,219

**See accompanying notes**

## **IBC ADVANCED ALLOYS CORP.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

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#### **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 and development of specialty alloy products but it also funds research of other beryllium products. The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol "IB" and on the OTCQX International market under the symbol "IAALF".

The head office and principal address of the Company is 570 Granville Street, Suite 1200, Vancouver, BC, V6C 3P1.

#### **2. Basis of Presentation**

##### a) Statement of compliance

These condensed consolidated interim financial statements for the nine-month period ended March 31, 2015 have been prepared in accordance with *IAS 34 - Interim Financial Reporting* and should be read in conjunction with the Company's June 30, 2014 audited annual financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

The Company's audit committee approved the release of these condensed consolidated interim financial statements on May 28, 2015.

##### b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies set out in the June 30, 2014 annual financial statements. The condensed consolidated 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 the parent company 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 or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

## IBC ADVANCED ALLOYS CORP.

### Notes to the Condensed Consolidated Interim Financial Statements

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

For the Nine Months Ended March 31, 2015

#### 2. Basis of Presentation (continued)

c) Principles of consolidation

The consolidated financial statements comprise the financial statements of IBC and its subsidiaries at March 31, 2015. The principal subsidiaries are:

Entity	Ownership Percentage	Location	Principal Activity
IBC US Holdings, Inc. ("IBC US")	100%	United States	Holding company
Freedom Alloys, Inc. ("Freedom")	100%	United States	Manufacturing
Nonferrous Products, Inc. ("Nonferrous")	100%	United States	Manufacturing
NF Industries, Inc.	100%	United States	Holding company
Specialloy Copper Alloys LLC ("Specialloy")	100%	United States	Manufacturing
IBC Engineered Materials Corp. ("EMC")	100%	United States	Manufacturing

d) Going concern of operations

These condensed consolidated 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.

As at March 31, 2015, the Company had not yet achieved profitable operations, incurred a loss of \$1,807 during the nine months ended March 31, 2015 and, as of that date, the Company had accumulated losses of \$44,938 since inception. Furthermore, the Company 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 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 bank and related parties, the ability of the Company to continue to obtain equity and debt financing and, ultimately, reaching and 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. At March 31, 2015, the Company's loan facilities with BMO Harris Bank had maturity dates of December 31, 2015 and September 30, 2019.

Management believes the Company will be successful at securing additional funding, and, with successfully reaching profitable operations at its production facilities to continue as a going concern for the foreseeable future. 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.

If the Company is unable to obtain adequate additional funding, the Company would require the restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis. These consolidated 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.



## **IBC ADVANCED ALLOYS CORP.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

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### **3. Adoption of New Accounting Pronouncements and Recent Developments**

Certain pronouncements, issued by the IASB or the IFRS Interpretations Committee, were adopted during the year, or are mandatory for the Company's fiscal years beginning on or after July 1, 2014 or are required to be adopted in future periods. The following pronouncements are relevant to the consolidated financial statements, although none of these are expected to have a material effect on financial statement presentation:

#### ***New standards, interpretations and amendments effective July 1, 2014***

a) IAS 24 - Related Party Disclosures

The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The application of the revised standard does not have a material impact on the Company's financial statements.

#### ***New standards, interpretations and amendments not yet effective***

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 the Company's fiscal year beginning July 1, 2015.

There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Company's financial statements.

### **4. 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. 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 financial statements within the next financial year are the same as those applied to the Company's June 30, 2014 annual financial statements.

The Company makes critical judgments in the determination of income taxes and critical estimates in computing the value of share-based transactions, depreciation and inventory.

## **IBC ADVANCED ALLOYS CORP.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

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#### **5. 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 and warrants. The capital structure of the Company is managed to provide sufficient funding for manufacturing 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, including intercompany transfers, with the result that IBC cannot receive funds from Nonferrous, Freedom or Specialloy.

There were no changes to the Company's approach to capital management during the nine months ended March 31, 2015.

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**6. Cash and Cash Equivalents**

	March 31 2015 \$	June 30 2014 \$
Cash	185	1,477
Short-term deposits	-	23
	185	1,500

Short-term deposits consist of bank deposits that can be withdrawn on demand. Short-term deposits bear interest at an annual rate of 1.05% (June 30, 2014 – 1.05%).

**7. Receivables**

	March 31 2015 \$	June 30 2014 \$
Trade accounts receivable	2,626	2,613
Allowance for doubtful accounts	(84)	(290)
Net trade accounts receivable	2,542	2,323
Other receivables	29	35
	2,571	2,358

At March 31, 2015, trade accounts receivable of \$2,413 (June 30, 2014 - \$1,419) were pledged as collateral for bank loans (notes 11 and 13). At March 31, 2015 and June 30, 2014, the Company made a full allowance for the collectability of past due receivables.

**8. Inventories**

	March 31, 2015			June 30 2014
	Cost	Valuation Provision	Net	
	\$	\$	\$	\$
Raw materials	3,766	(13)	3,753	3,390
Work in process	1,243	-	1,243	924
Finished goods	578	(153)	425	874
	5,587	(166)	5,421	5,188

As of March 31, 2015, the Company recognized a \$166 valuation provision (June 30, 2014 - \$95). At March 31, 2015, inventories of \$5,014 (June 30, 2014 - \$4,834) were pledged as collateral for bank loans (notes 11 and 13).

During the period ended March 31, 2015, cost of sales included materials of \$8,365 (March 31, 2014 - \$6,166).

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**9. Property, Plant and Equipment**

	Land	Machinery and Equipment	Vehicles	Leasehold Improve- ments	Furniture and Fixtures	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
At June 30, 2013	510	8,506	43	4,592	156	13,807
Purchases	-	133	-	-	3	136
Disposals	-	(10)	-	-	-	(10)
At June 30, 2014	510	8,629	43	4,592	159	13,933
Purchases	-	167	9	4	-	180
Disposals	-	-	-	-	-	-
At March 31, 2015	510	8,796	52	4,596	159	14,113
<b>Accumulated depreciation and impairment</b>						
At June 30, 2013	-	3,998	33	903	142	5,076
Depreciation expense	-	694	10	287	10	1,001
Disposals	-	(1)	-	-	-	(1)
At June 30, 2014	-	4,691	43	1,190	152	6,076
Depreciation expense	-	431	1	214	7	653
Disposals	-	-	-	-	-	-
At March 31, 2015	-	5,122	44	1,404	159	6,729
<b>Net book value</b>						
At June 30, 2013	510	4,508	10	3,689	14	8,731
At June 30, 2014	510	3,938	-	3,402	7	7,857
At March 31, 2015	510	3,674	8	3,192	-	7,384

At March 31, 2015, the Company had pledged plant and equipment held by Nonferrous, Specialloy and Freedom with a net book value of \$4,424 (June 30, 2014 - \$3,746) as collateral for bank loans (notes 11 and 13).

Presentation of the Company's depreciation and amortization expense, including depreciation of intangible assets (note 10), is as follows:

Nine months ended March 31	2015	2014
	\$	\$
Cost of revenue	640	714
Selling general and administrative expenses	13	449
Total depreciation and amortization expense	653	1,163

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**10. Intangible Assets**

	Trade Names	Customer Relationships	Technology	Total
	\$	\$	\$	\$
<b>Cost</b>				
At June 30, 2013, June 30, 2014 and March 31, 2015	1,178	1,657	471	3,306
<b>Accumulated amortization and impairment</b>				
At June 30, 2013	1,165	1,616	471	3,252
Amortization expense At June 30, 2014 and March 31, 2015	2	41	-	43
	1,167	1,657	471	3,295
<b>Net book value</b>				
At June 30, 2013	13	41	-	54
At June 30, 2014	11	-	-	11
At March 31, 2015	11	-	-	11

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**11. Line of Credit**

	March 31 2015 \$	June 30 2014 \$
Line of credit with BMO Harris Bank (maximum \$3,500 – June 30, 2014 maximum of \$2,500) at one-month LIBOR plus 3.75% (LIBOR plus 3.75% at June 30, 2014), with a minimum rate of 5.00% to December 31, 2015, collateralized by substantially all of Nonferrous' and Freedom's assets.	2,843	2,223
	<u>2,843</u>	<u>2,223</u>

In addition to the collateral provided by the operating subsidiaries, IBC has guaranteed this line of credit.

The Company's bank loan and line of credit 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. During the year ended June 30, 2014, the Company was in violation of certain covenants but BMO Harris Bank has provided a waiver.

**12. Accounts Payable and Accrued Liabilities**

	March 31 2015 \$	June 30 2014 \$
Trade accounts payable	804	1,374
Employee payroll withholdings	135	112
Accrued liabilities	1,223	982
Lease inducement – current portion	70	70
Other liabilities	543	428
Accounts payable and accrued liabilities - current	<u>2,775</u>	<u>2,966</u>
Lease inducement – long-term	<u>373</u>	<u>426</u>

Under the terms of a facility lease entered into during the year ended June 30, 2011, the Company received a lease inducement of \$762 which is being amortized on a straight-line basis over the term of the lease. At March 31, 2015, the remaining lease inducement was \$443 (June 30, 2014 - \$496).

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**13. Loan Payable**

	March 31 2015 \$	June 30 2014 \$
Loan payable to BMO Harris Bank in monthly principal payments of \$7 plus monthly accrued interest at 6.15% per year September 30, 2019, collateralized by substantially all the assets of Nonferrous, Specialloy and Freedom.	1,233	1,282
	<u>1,233</u>	<u>1,282</u>
Financial statement presentation:		
Current portion of loans payable	85	1,282
Long-term loans payable	1,148	-
	<u>1,233</u>	<u>1,282</u>

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

The Company's bank loan and line of credit 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. During the year ended June 30, 2014, the Company was in violation of certain covenants but BMO Harris Bank has provided a waiver.

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**14. Share Capital***Authorized capital*

Unlimited number of common shares without par value.

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.

*Issued capital*

No preferred shares.

	Note	Number of Shares	Common Shares \$
June 30, 2013		61,907,007	43,357
Exercise of warrants	17	1,835,577	272
Private placement		15,000,000	2,416
Fair value of broker warrants issued		-	(213)
Fair value of broker warrants exercised		-	80
Share issue costs		-	(185)
Shares issued for services		707,778	84
June 30, 2014		79,450,362	45,811
Exercise of warrants		1,135,451	187
March 31, 2015		80,585,813	45,998

In October 2012, the Company agreed to settle a contingent liability of up to \$30 through the issuance of 33,334 common shares, which has been approved by the TSX-V. The Company has not yet issued these common shares.

*Fiscal 2015*

In the period ended March 31, 2015, share purchase warrant holders exercised 1,135,451 warrants at C\$0.18 for proceeds of C\$204 (\$187).

*Fiscal 2014*

In July 2013, the Company settled an obligation of \$34 owed to a consultant and issued 280,000 common shares at a price of C\$0.12 per share (the closing price on the date of issuance was C\$0.075 per share) and in February 2014, the Company settled an obligation of \$58 owed to the consultant and issued 427,778 common shares at a price of C\$0.135 per share (the closing price on the date of issuance was C\$0.17 per share). The issuances represent payment for services provided by the consultant pursuant to a one-year consulting agreement. The transactions were approved by the TSX-V.



**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**14. Share Capital (continued)**

In the year ended June 30, 2014, share purchase warrant holders exercised 1,835,577 warrants at between C\$0.12 and C\$0.18 for proceeds of C\$282 (\$256). These exercises resulted in the issuance of warrants to purchase up to 821,410 common shares at C\$0.18 expiring February 28, 2015.

In March 2014, the Company closed a non-brokered private placement, issuing 15,000,000 units at a price of C\$0.18 per unit for aggregate gross proceeds of C\$2,700 (\$2,433). Each unit consisted of one common share and one-half of a common share purchase warrant with each warrant having an exercise price of C\$0.24 and a term of two years. In connection with the private placement, the Company issued 1,027,289 finders' warrants and paid finders' fees of C\$185 (\$172). Each finder's warrant entitles the holder to purchase one common share of the Company at a price of C\$0.24 until March 13, 2016.

**15. Reserves**

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

	Warrants	Share-based compensation reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$
June 30, 2013	94	6,513	5	6,612
Foreign currency translation reserve	-	-	146	146
Fair value of broker warrants issued	213	-	-	213
Fair value of broker warrants exercised	(80)	-	-	(80)
Share-based compensation	-	137	-	137
June 30, 2014	227	6,650	151	7,028
Foreign currency translation reserve	-	-	1	1
Share-based compensation	-	130	-	130
March 31, 2015	227	6,780	152	7,159

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

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**16. 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 re-approved the stock option plan at the December 2014 shareholders' meeting.

*Option Grants*

A summary of stock option activity to March 31, 2015 is as follows:

	Stock Options Outstanding	Weighted Average Exercise Price C\$
June 30, 2013	4,015,001	0.21
Expired	(100,001)	0.90
Granted	2,005,000	0.14
June 30, 2014	5,920,000	0.17
Expired	(16,667)	0.90
Granted	1,970,000	0.15
March 31, 2015	7,873,333	0.17

During the nine months ended March 31, 2015, the Company recognized share-based compensation of \$130 (March 31, 2014 - \$172).

Of the 2,005,000 options granted in the year ended June 30, 2014, 875,000 were subject to disinterested shareholder approval, which the Company's shareholders' provided at the shareholders' meeting held in December 2014.

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**16. Share-Based Payments (continued)**

At March 31, 2015, 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\$			C\$		C\$
0.14	2,005,000	3.33 years	0.14	1,202,500	0.14
0.15	5,725,000	3.71 years	0.15	2,446,250	0.15
1.02	58,334	0.08 years	1.02	58,334	1.02
1.08	51,666	0.97 years	1.08	51,666	1.08
1.56	33,333	1.15 years	1.56	33,333	1.56
	7,873,333	3.56 years	0.17	3,792,083	0.19

The weighted average grant-date fair value of options awarded in the period ended March 31, 2015 was C\$0.06. The Company employed the Black-Scholes option-pricing model using the following weighted average assumptions to determine share-based compensation:

	2015	2014
Annualized share price volatility	105%	128%
Risk-free interest rate	0.88%	1.15%
Expected option lives	2.8 years	2.7 years
Dividend yield	0.0%	0.0%

There is a rebuttable presumption for non-employees under *IFRS 2 - Share Based Payments* that share-based awards for goods and services should be valued based on the fair value of the goods or services provided, not the computed value of the share-based award. The Company has employed an equity-based approach to determining the value of certain option awards as the parties concerned normally provide their services for a combination of cash and share options, with the result that there is not a reliable measure of market compensation on a cash-payment basis only.

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**17. Warrants**

	Financing Warrants		Broker Warrants	
	Warrants Outstanding	Weighted Average Exercise Price C\$	Warrants Outstanding	Weighted Average Exercise Price C\$
At June 30, 2013	17,663,124	0.22	1,212,492	0.38
Issued	7,500,000	0.24	1,848,699	0.21
Exercised	(1,001,667)	0.18	(833,910)	0.12
Expired	(996,460)	0.96	(230,000)	1.50
At June 30, 2014	23,164,997	0.20	1,997,281	0.21
Exercised	(498,000)	0.18	(637,451)	0.18
Expired	-	-	(292,158)	0.16
At March 31, 2015	22,666,997	0.20	1,067,672	0.24

At March 31, 2015, warrants were outstanding enabling holders to acquire common shares or units as follows:

Number of Financing Warrants	Number of Broker Warrants	Exercise Price C\$	Expiry Date
-	40,383	0.12	May 13, 2015*
15,166,997	-	0.18	February 28, 2016
7,500,000	1,027,289	0.24	March 13, 2016
22,666,997	1,067,672		

\* expired subsequent to period ended March 31, 2015

The C\$0.12 warrants enable the holder to purchase units comprising one common share and one share purchase warrant exercisable at C\$0.18. The C\$0.18 and C\$0.24 warrants enable the holder to purchase one common share.

The Company has not assigned any value to financing warrants issued as part of unit financings as, in most cases, the pricing of the units was determined by reference to the Company's share price and no premium was attributed to the attached warrant rights. In some instances, a value was assigned to the warrant in offering documents, but the value was not material.

In February 2015, the Company received approval from the TSX-V to extend the expiry dates of 15,166,997 C\$0.18 financing warrants issued on February 28, 2013 and May 13, 2013 to February 28, 2016.

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

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**18. Related Party Transactions**

Key management personnel compensation was:

	Three months ended		Nine months ended	
	March 31		March 31	
	2015	2014	2015	2014
	\$	\$	\$	\$
Short-term employee benefits	230	239	803	812
Share-based payments	36	29	72	93
	266	268	875	905

The short-term employee benefits were paid or accrued directly to employees and directors of the Company.

As at March 31, 2015, \$345 (June 30, 2014 - \$256) is owing to directors and officers for services and \$17 (June 30, 2014 - \$18) is owing to officers for expenses paid on the Company's behalf. There are no terms or conditions related to any outstanding debt to related parties and the debt is unsecured.

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

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**19. Commitments and Contingencies**

The Company has entered into commercial property leases. These leases have an average life of 2.4 years, with an average renewal option of 0.8 years. The future minimum rental payments under non-cancellable operating leases at March 31, 2015 are:

Period ending June 30	\$
2015	218
2016	587
2017	506
2018	441
2019	441
Subsequent	699
	<u>2,892</u>

The Company has entered into sublease agreements to partially defray some of these costs.

The Company is contractually committed to purchase, at March 31, 2015 prices, an aggregate of \$9,971 (June 30, 2014 - \$12,212) 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	\$
2015	1,271
2016	2,953
2017	4,701
2018	<u>3,020</u>
	<u>11,945</u>

The Company is contractually committed to paying \$30 to a company providing consulting services if certain contractual requirements are met. The Company has agreed to settle this commitment through the issuance of 33,334 common shares, which has been approved by the TSX-V but the common shares have not been issued at the date of these financial statements.

The Company had no contingent liabilities at March 31, 2015 or June 30, 2014.

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**20. Segment Reporting**

As at March 31, 2015, the Company had four reportable segments: copper alloys, engineered materials, non-alloy research and development (“R&D”) and corporate. The manufacturing segment produces beryllium copper, Beralcast® and other specialty alloy products; R&D oversees the Company’s research and development initiatives for new beryllium applications other than alloys; and corporate oversees and administers the operating divisions. In prior periods, the Company also had a mineral properties segment which managed the acquisition, exploration and development of beryllium natural resources and analysis of the Company’s resource information database.

The accounting policies of the segments are the same as described in note 3 of the June 30, 2014 audited consolidated financial statements. IBC’s management evaluates performance based on profit or loss from operations before other items (“operating income (loss)”).

	Copper Alloys \$	Engineered Materials \$	Mineral Properties \$	R&D \$	Corporate \$	Total \$
Three months ended March 31, 2015						
Revenue from external customers	3,683	796	-	-	-	4,479
Depreciation and amortization	154	69	-	-	-	223
Share-based compensation	8	7	-	-	47	62
Interest expense	36	-	-	-	-	36
Other income	-	-	-	-	-	-
Operating income (loss)	152	(659)	-	-	(276)	(783)
Foreign exchange loss (gain)						4
Interest expense						(36)
Other income						29
Loss before income taxes						(786)
Income tax recovery (expense)	208	(4)	-	-	-	204
Capital expenditures	12	-	-	-	-	12

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**20. Segment Reporting (continued)**

	Copper Alloys \$	Engineered Materials \$		R&D \$	Corporate \$	Total \$
Three months ended March 31, 2014						
Revenue from external customers	3,503	364		-	-	3,867
Depreciation and amortization	157	88		-	1	246
Share-based compensation	10	9		1	43	63
Operating income (loss)	191	(412)		(22)	(386)	(629)
Foreign exchange loss						(2)
Interest expense						(29)
Other income						75
Loss before income taxes						(585)
Income tax recovery (expense)	(3)	1		-	-	(2)
Capital expenditures	36	13		-	-	49
	Copper Alloys \$	Engineered Materials \$	Mineral Properties \$	R&D \$	Corporate \$	Total \$
Nine months ended March 31, 2015						
Revenue from external customers	12,082	2,130	-	-	-	14,212
Depreciation and amortization	407	244	-	-	2	653
Share-based compensation	19	18	-	-	93	130
Interest expense	102	-	-	-	-	102
Other income	-	-	-	-	52	52
Operating income (loss)	889	(1,923)	-	-	(959)	(1,993)
Foreign exchange loss (gain)						26
Loss on disposal of assets						9
Interest expense						(102)
Interest income						1
Other income						52
Loss before income taxes						(2,007)
Income tax recovery (expense)	199	1	-	-	-	200
Capital expenditures	160	20	-	-	-	180



**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**20. Segment Reporting (continued)**

	Copper Alloys \$	Engineered Materials \$	R&D \$	Corporate \$	Total \$
Nine months ended March 31, 2014					
Revenue from external customers	11,432	1,173	-	-	12,605
Depreciation and amortization	502	266	-	3	771
Share-based compensation	31	26	2	113	172
Operating income (loss)	365	(1,455)	(34)	(1,063)	(2,187)
Foreign exchange loss					(2)
Gain (loss) on disposal of assets					(10)
Interest expense					(98)
Interest income					1
Other income					248
Loss before income taxes					(2,048)
Income tax recovery (expense)	(5)	1	-	-	(4)
Capital expenditures	65	19	-	-	84

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**20. Segment Reporting (continued)**

Total assets employed by each division are:

	March 31 2015 \$	June 30 2014 \$
Copper alloys	11,020	11,268
Engineered materials	4,672	4,911
Mineral properties	-	6
R&D	-	-
Corporate	439	1,229
	<u>16,131</u>	<u>17,414</u>

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

	Three months ended March 31		Nine months ended March 31	
	2015 \$	2014 \$	2015 \$	2014 \$
North America	3,605	3,335	12,087	10,964
Europe	729	122	1,066	267
Asia	145	410	1,059	1,374
	<u>4,479</u>	<u>3,867</u>	<u>14,212</u>	<u>12,605</u>

The following customers represented more than 10% of sales:

	March 31, 2015		March 31, 2014	
	Amount \$	%	Amount \$	%
Customer A	1,513	10.6	-	-

	March 31 2015 \$	June 30 2014 \$
Property, plant and equipment, intangible assets and goodwill		
United States	7,395	7,865
Canada	-	3
	<u>7,395</u>	<u>7,868</u>

## IBC ADVANCED ALLOYS CORP.

### Notes to the Condensed Consolidated Interim Financial Statements

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

For the Nine Months Ended March 31, 2015

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## 21. 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.

### *Capital Management*

The board of directors has overall responsibility for the establishment and oversight of the Company's capital management framework. The board of directors has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are regularly reviewed and updated to reflect changes in market conditions and the Company's activities.

### *Fair Values*

The Company's financial instruments classified as level 1 use quoted prices in active markets including cash and cash equivalents and interest rate swaps. The Company does not hold any financial instruments subject to level 2 or 3 fair value measurements. There were no changes in level 1, 2, or 3 financial instruments during the nine months ended March 31, 2015.

### *Foreign Exchange Risk*

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

As at March 31, 2015 with other variables unchanged, a 1% increase (decrease) in the Canadian dollar would increase (decrease) net earnings by approximately \$2 (June 30, 2014 - \$6).

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

<hr/>	
Balance at March 31, 2015	
<hr/>	
Cash and cash equivalents	9
Receivables	29
Accounts payable and accrued liabilities	153
<hr/>	
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Balance at June 30, 2014	
<hr/>	
Cash and cash equivalents	500
Receivables	71
Accounts payable and accrued liabilities	103
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## **IBC ADVANCED ALLOYS CORP.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

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#### **21. 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 and interest expense on the BMO Harris Bank line of credit. Cash and cash equivalents receive interest based on market interest rates. The Company's term loan has a fixed interest rate and is not exposed to interest rate risk.

As at March 31, 2015, with other variables unchanged, a 1% increase (decrease) in the interest rate paid on short-term deposits would increase (decrease) earnings by approximately \$nil (June 30, 2014 - \$3).

As at March 31, 2015, with other variables unchanged, a 1% increase (decrease) in the interest paid on the BMO Harris Bank line of credit would decrease (increase) earnings by approximately \$19 (June 30, 2014 - \$21).

##### *Commodity Price Risk*

The Company's profitability depends, in part, on the market prices of copper, aluminum and beryllium. The market prices for metals can be volatile and are affected by 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. The Company does not engage in hedging but, where possible, structures selling arrangements in a way that passes commodity price risk through to the customer.

##### *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 and insuring trade receivables. In addition, receivable balances are monitored on an on-going basis with the result that the Company's exposure to bad debt is not significant.

The Company also manages its credit risk by investing its cash only in obligations of Canada or the United States or their respective agencies, obligations of enterprises sponsored by any of the above governments; bankers' 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 receivables.

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**21. Financial Risk Management (continued)***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.

March 31, 2015	Less than three months \$	Three to 12 months \$	One to five years \$	Total \$
Trade and other payables	2,736	39	-	2,775
Line of credit	2,843	-	-	2,843
Loan	21	64	1,147	1,232
	<u>5,600</u>	<u>103</u>	<u>1,147</u>	<u>6,850</u>

  

June 30, 2014	Less than three months \$	Three to 12 months \$	One to five years \$	Total \$
Trade and other payables	2,604	181	-	2,785
Line of credit	2,223	-	-	2,223
Loan	1,282	-	-	1,282
	<u>6,109</u>	<u>181</u>	<u>-</u>	<u>6,290</u>

See notes 11 and 13 for contractual undiscounted cash flow requirements for the line of credit and loan payable as at March 31, 2015.

*Fair Value*

The fair value of the Company's financial assets and financial liabilities approximate the carrying value due to the short term maturities of the instruments.

**IBC ADVANCED ALLOYS CORP.****Notes to the Condensed Consolidated Interim Financial Statements**

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

For the Nine Months Ended March 31, 2015

**22. Loss Per Share**

	Three months ended		Nine months ended	
	2015	March 31 2014	2015	March 31 2014
Loss for the period (\$000)	(582)	(587)	(1,807)	(2,052)
Weighted average number of common shares outstanding	80,585,813	66,390,636	80,315,670	63,578,767
Loss per share, basic and diluted (\$ per share)	(0.01)	(0.01)	(0.02)	(0.03)

Diluted loss per share for the periods ended March 31, 2015 and 2014 is the same as basic loss per share as the exercise of the 7,873,333 share options (June 30, 2014 – 5,920,000) and 23,734,669 warrants (June 30, 2014 – 25,162,278) would be anti-dilutive.

**23. Events After the Reporting Date**

In May 2015, the Company announced a non-brokered private placement to issue up to 17,500,000 common share units at a price of C\$0.10 per unit for gross proceeds of up to C\$1,750. Each unit consists of one common share of IBC and one-half of a common share purchase warrant, with each whole warrant exercisable to acquire one common share of IBC at C\$0.18 for a period of 24 months from the closing date. The warrants will be subject to a forced conversion at the Company's option if its common shares trade at or above C\$0.45 per share for a period of 20 consecutive trading days. The warrants will expire 20 business days after the notice of the forced conversion is sent to the warrant holders.

The offering is non-brokered and subject to necessary approvals including approval of the TSX Venture Exchange. The Company will pay a cash finder's fee equal to 7% of the offering gross proceeds and will issue finder's warrants equal to 7% of the number of shares sold under the offering. Each finder's warrant will entitle the holder to purchase one common share at a price of C\$0.10 for a period of 24 months from the closing date.