



IBC ADVANCED ALLOYS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

NINE MONTHS ENDED MARCH 31, 2016

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IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Nine Months Ended March 31, 2016

The following is management's discussion and analysis ("MD&A") of IBC Advanced Alloys Corp., and its subsidiaries, prepared as of May 26, 2016. This MD&A should be read together with the unaudited interim condensed consolidated financial statements for the nine months ended March 31, 2016 and the audited consolidated financial statements and related notes for the year ended June 30, 2015. Financial amounts, other than amounts per share or per pound, are presented in thousands of United States dollars ("\$\$") unless indicated otherwise. Canadian dollar amounts are denoted by "C\$".

The terms "IBC", "we", "us" and "our" refer to IBC Advanced Alloys Corp. and its subsidiaries, unless the context otherwise requires.

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.

Our unaudited condensed consolidated interim financial statements for the nine months ended March 31, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using accounting policies consistent with IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee.

Additional information relating to us is available for view on SEDAR at www.sedar.com.

Our Business

We are primarily engaged in developing and manufacturing advanced alloys, in particular beryllium-aluminum alloys and specialty copper alloys. Our head office is located in Vancouver, Canada. 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 including beryllium-aluminum castings. Our manufacturing operations currently employ 70 people. Our manufacturing operations comprise two divisions: Copper Alloys and Engineered Materials.

- Copper Alloys manufactures and distributes 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.
- Engineered Materials supplies high-performance beryllium-aluminum components to the aerospace and high-tech manufacturing sectors.

In the past we have undertaken research initiatives with the goal of increasing demand for beryllium-related products. At present, we do not have any active research programs but intend to resume research in the future. Other than our VP nuclear fuels, who is employed part-time, we do not have any employees directly engaged in research.

We were formed by an amalgamation under the laws of British Columbia on November 23, 2007 and our common shares are listed on the TSX Venture Exchange (the "TSX-V") under the symbol "IB" and on the OTCQB market under the symbol "IAALD", having changed from "IAALF" after the May 2016 one-for-ten consolidation of our share capital.

Corporate Developments

- In May 2016, we closed a private placement raising gross proceeds of C\$7.46 million (\$5.7 million) and undertook a one-share-for-ten consolidation of our share capital. See *Corporate Reorganization* and *Private Placement* below.
- In May 2016, Mark Smith and Geoff Hampson joined our board of directors. Further details on their experience and skills are provided under *Board of Director Changes* below. Dal Brynelsen and Alastair Neill, who had served on our board since 2007 and 2011 respectively, stepped down.
- In May 2016, we appointed Major General David Heinz as president and chief executive officer and Anthony Dutton, our former president and CEO, as vice-president of corporate relations and special projects. Major General Heinz' appointment follows his January 2016 appointment as chief operating officer. General Heinz has been a director of IBC since May 2011 and remains on the board.

Private Placement and Corporate Reorganization

CORPORATE REORGANIZATION

In May 2016, we consolidated our share capital on the basis of one post-consolidation common share for every ten pre-consolidation common shares. We previously had 98,085,813 common shares issued and outstanding and, following the consolidation, had 9,808,492 common shares issued and outstanding, after adjusting for rounding. We did not issue and fractional shares. We believe the consolidation will provide us with increased flexibility when negotiating financings and better access to equity markets in which to raise the capital we require to further develop our manufacturing operations and strengthen business operations.

PRIVATE PLACEMENT

In conjunction with the consolidation, we completed a non-brokered private placement issuing 19,893,670 post-consolidation units at an issue price of C\$0.375 per unit for gross proceeds of C\$7.46 million, which reflected receipts exceeding the original 25% oversubscription option. Included in this amount is \$0.39 million of subscriptions by directors, officers, employees and consultants. The planned use of proceeds is for equipment upgrades to our Engineered Materials and Copper Alloys operations and for general working capital purposes.

Each unit consists of one post-consolidation common share of IBC and one transferable share purchase warrant. Each warrant is exercisable to acquire an additional post-consolidation common share of IBC at a price of C\$0.50 until May 24, 2021. The warrants have an acceleration provision, so that in the event IBC trades at C\$2.50 or greater for 21 consecutive trading days at any time until May 24, 2018, warrant holders will have 60 days to exercise their warrants, failing which the warrants will expire. The securities issued are subject to a hold period expiring September 25, 2016. In connection with the private placement, we paid finders' fees and issued finders' warrants and units. Full particulars are provided in *Shareholders' Equity – Private Placement* below.

We entered into a consulting agreement with Rory Godinho as part of the reorganization, under which he provided corporate finance advice to us and managed the private placement. In addition, Mark A. Smith, acting through his company KMSMITH LLC, advised the Company on restructuring our business and operations.

Board of Directors Changes

In conjunction with the reorganization and private placement, Dal Brynelsen and Alastair Neill stepped down from the board. Out board and management have joined in thanking Messrs Brynelsen and Neill for their service to the Company. Two new directors joined our board:

MARK SMITH

Mark Smith is the president, CEO and executive chairman of Niocorp a company developing a superalloy materials project near Elk Creek, Nebraska that will produce niobium, scandium and titanium products. He is well recognized in the mining community, having recently served as president, CEO and director of Molycorp, Inc., where he was instrumentally involved in taking the company public. Previously, Mr. Smith was the president and CEO of Chevron Mining Inc. from 2005 through 2008. He was also vice president for Unocal Corporation where he managed its real estate, remediation, mining and carbon divisions for over 22 years. From 2000 to 2007, Mr. Smith also served as a director and shareholder representative of Companhia Brasileira de Metalurgia e Mineração, a private company that currently produces approximately 85% of the world supply of niobium. He is also president, CEO and director of Largo Resources (TSXV: LGO).

Mr. Smith has a bachelor of science in engineering from Colorado State University and a juris doctor cum laude from Western State University, College of Law.

GEOFF HAMPSON

Geoff Hampson has a 30-year career as a senior executive and entrepreneur in a variety of businesses with experience in technology, start-ups, mining, turnaround situations. He has engaged in industry consolidations where he has been able to build strong teams to lead businesses into sector-leading positions. Mr. Hampson has been involved in over 20 M&A transactions on both the buy and sell sides. Having negotiated over ten international joint ventures, in countries such as Brazil, India, Ukraine, Russia, South Africa and China, he has cultivated his international experience and built countless relationships around the world.

Mr. Hampson is the chairman and CEO of Fibrox Technology Ltd., a North American leader in the production of mineral fiber. He is also chairman and CEO of Para Resources Inc., a publicly-listed company focusing on South and Central American gold properties. Mr. Hampson was the founder and chairman of Techvibes Media Inc., the founder and CEO of Corelink Data Centers LLC, the CEO of Live Current Media, Inc., and the president and CEO of Novocon International Inc.

Mr. Hampson has served on the boards of directors of several other companies including: Eagle Mountain Gold Corp., a junior mining company; International Samuel Exploration Inc., a junior exploration company; American Asset Investment Corp, a Panamanian real estate investment fund focused on US commercial real estate; Peer 1 Network Enterprises Inc., as CEO and director; and Pacific Roderia Energy Inc. as chairman.

He served as a member of the University of British Columbia's International Advisory Board and is active in local and international associations and charities. Mr. Hampson has lived and worked in both Canada and the United States.

BOARD COMMITTEES

With the revised board in place, the Company has reconstituted its board committees. The audit committee now comprises Mike Jarvis (chair), Mark Smith and Geoff Hampson all of whom are

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independent. The compensation committee now comprises Mark Smith (chair), Mike Jarvis and Anthony Dutton, two of whom are independent.

Manufacturing Operations

We currently have four manufacturing operations in the United States that employ 70 people.

Location	Building Area	Leased/Owned	Employs
	² m		sq ft
Copper Alloys			
Franklin, IN	4,800	Owned	37
Royersford, PA	1,500	Leased	8
New Madrid, MO	2,500	Owned	6
			<u>51</u>
Engineered Materials			
Wilmington, MA	5,800	Leased	19
			<u>70</u>

Most of the Company's management and administration are based at the Franklin, IN facility.

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 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.

Our New Madrid plant is located on a 2.4-hectare (6.0 acres) site 265 kilometres (165 miles) 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 when production volumes justify the investment. This facility is underutilized and as a result there is room for significant expansion of plant operations at this location.

ENGINEERED MATERIALS

Engineered Materials supplies high-performance beryllium-aluminum components to the aerospace and high-tech manufacturing sectors. We currently manufacture the Beralcast® and ABX™ families of metal matrices that can be used in commercial and military applications requiring complex, lightweight or high-stiffness parts. We have additional, higher-performance products in development and plan to launch at least one new major product line in the next six months. Using our proprietary manufacturing techniques, we plan to make beryllium-aluminum components more accessible and cost-effective.

In general, Beralcast® and ABX™ 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 automotive braking and structural components and aerospace and satellite system components.

The principal Beralcast® 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® 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.

Binary beryllium-aluminum composites were developed by a US corporation, which was originally a metallurgical laboratory affiliated with MIT, 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®. We believe that a competitor has launched an alternative cast beryllium-aluminum product, which if commercially viable would be a direct competitor to Beralcast® and ABX™.

We have trade name rights to Beralcast® and ABX™; proprietary know-how; manufacturing equipment; marketing and supply agreements; and US beryllium stockpile bidding requirements and bona fides. Since the manufacturing process is different from that employed for Copper Alloys, we operate a separate manufacturing facility optimized for Beralcast® and ABX™ alloys.

We are developing Engineered Materials' business by undertaking product-focused development initiatives with a heavy emphasis on defence applications. Generally, the process is as follows:

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1. Memorandum of understanding – The first step is to assess the feasibility of using Beralcast® in the customer's application.
2. Non-recurring engineering – At various stages between the initial feasibility assessment and production, we and our customer engage in engineering work to tailor the part design to the material and assess its performance.
3. Hard tooling – Once production is likely, the customer asks us to design, manufacture and implement hard tooling to be included as part of final qualification process. Although not a guarantee that a production order will follow, a hard tooling contract is a very strong indication that the customer expects to enter volume production of the component.
4. LRIP (low-rate initial production) – New programs typically work through a start-up phase to iron out problems before production reaches long-term levels. As part of the first production run, we work with our customer on various quality assurance steps culminating in the first article inspection.
5. Volume production.

We are currently working on various initiatives at stages from memorandum of understanding to low-rate initial production ("LRIP").

Recent Business Initiatives

In September 2014, Lockheed Martin Missiles and Fire Control selected Engineered Materials to provide critical cast components for the EOTS system on the F-35 Lightning II. The first component covered by this contract is an EOTS azimuth gimbal housing being manufactured using Beralcast®, Engineered Material's proprietary beryllium-aluminum casting alloy.

Lockheed Martin has awarded us two contracts for production azimuth gimbal housings for OEM aircraft and spares. These contracts are for the ramp-up production period, or LRIP. The first contract, awarded in September 2013 was for LRIP lots 7 and 8 and the second contract awarded in August 2014 was for LRIP lots 9 and 10. We have completed production for LRIP lots 7 and 8 and have completed much of the production for LRIP lots 9 and 10.

The value of the initial contract was just over \$2.0 million including machining, non-recurring engineering and hard tooling deliverables; the value of the second contract, which is for castings only, is for a similar amount. These contracts, with subsequent LRIP contract awards, have the potential to increase significantly over the life of the F-35 program. The EOTS assembly being produced by Lockheed Martin for all the F-35 variants. Although our production contracts are typically about one year, planned F-35 production is expected to run through 2035 with completion of over 3,000 aircraft.

We are currently pursuing other sales opportunities with several defence companies.

While we are currently operating at much less than capacity and refurbished part of our vacuum furnace in 2014, we believe that increased production at our Wilmington, MA facility will require replacement of key parts of our furnace at an expected cost of less than \$1 million. We plan to undertake these upgrades, which will potentially double our melt capacity, in the summer of 2016.

BUSINESS RISKS

Some of the risks that our business faces, which are specific to our operations, are:

Dependence on 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. As we have

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done in the past, we may also be able to source beryllium from the US National Defense Stockpile and a third-party business from time to time. We have entered into long-term beryllium and beryllium copper master alloy supply agreements with Ulba. Ulba's ability to honour its supply obligations will depend on its ability to source raw materials. We are unable to obtain reliable information as to the extent and availability of Ulba's raw material supply, although we understand that production uses long-term stockpiles. Any disruptions in Ulba's ability to manufacture beryllium or CTMA to our specifications would have a materially adverse effect on our business. Our contract with Ulba will expire in 2016 and if we are unable to renew the contract on commercially reasonable terms, it will have a material adverse effect on our business.

Disruptions of our Manufacturing Operations

From time to time, our operations are adversely affected by disruptions caused by such things as water line failures, power outages, equipment failures and anomalous weather. These issues normally only cause short-term interruptions, but can affect our ability to meet our quarterly revenue and profitability objectives.

Need to Meet Product Specifications

All of the products that we manufacture are required to conform to a specification. Some of these specifications are very exacting and small variations in process can cause our products to fall short of the required standard. In addition, customers' requirements can change from time to time. If we are unable to address these specification issues in a timely manner, we are at risk of losing short-term revenue and even long-term production contracts.

OPERATING PERFORMANCE AND OUTLOOK

Copper Alloys

Our first and fourth fiscal quarters are usually stronger than our second and third fiscal quarters. This is due to seasonal factors such as the holiday season and our customers' production schedules. Our second fiscal quarter was exceptionally weak with very poor Copper Alloys sales but our sales improved in the third fiscal quarter, although not yet returning to historical levels. The continued softness in sales is partly due, we believe, to a general sector weakness resulting from lower resource activity, particularly oil and gas. Our order backlog has returned to normal levels and we expect to see Copper Alloys near-term performance to be consistent with the third quarter performance. Looking further out, the recently completed private placement will fund the purchase of equipment which we expect will improve both our revenues and our margins.

Copper Alloys sales are also affected by changes in the underlying price of commodities, primarily copper. Indicative copper prices per pound are:

	2015	2014
June 30	\$2.64	\$3.15
September 30	\$2.29	\$3.03
December 31	\$2.10	\$2.85
	2016	2015
March 31	\$2.16	\$2.75

We aim to pass the cost of copper through to our customers and do not hold large inventories of copper. Accordingly, our profitability should not, in the long term, be affected by the price of copper except to the extent that high copper prices discourage consumption or competitors lower their

margins to obtain business. In the short term, price fluctuations can have a bearing on our profitability as we realize gains or losses on our inventories. Since copper is a significant component of products we sell, the price of copper does materially affect our revenues.

Engineered Materials

Engineered Materials sales in fiscal 2016 have grown as a result of ongoing Lockheed Martin business. Our third fiscal quarter sales were the best for the Engineered Materials Business since we acquired the business in 2010. The excellent results in the year to date are a result of recognizing a significant proportion of revenues from both LRIP lots 7 and 8 (contract value approximately \$2 million) LRIP lots 9 and 10 (contract value approximately \$2 million). While manufacturing activity on these contracts has been fairly evenly spread over the period from September 2014 to date, revenue recognition rules have resulted in some revenues from earlier production not being recognized until the current period. We expect that Engineered Materials shipments in our fourth fiscal quarter will decline due to the timing of shipments.

In previous fiscal years, our Engineered Materials division has typically generated 10% to 15% of our revenues but we expect Engineered Materials' proportion of total revenue to increase over the next few years as that segment grows. In the first nine months of fiscal 2016, Engineered Materials generated 30% of our sales.

Research Initiatives

From time to time, we sponsor and assist in research initiatives with a view to increasing long-term demand and new market opportunities for beryllium and beryllium oxide. Our primary focus has been on enhanced nuclear fuels, but we are not actively engaged in research at present. We presented a paper on our beryllium oxide ("BeO") nuclear fuels initiative at the Characterization and Quality Control of Nuclear Fuels ("CQCNF 2015") Conference in Hyderabad, India in December 2015. The conference was sponsored by the Indian Nuclear Fuel Complex, a central industrial unit of India's Department of Atomic Energy which manages 21 nuclear power reactors in India.

Since 2008, we have sponsored collaborative research agreements with Purdue University and Texas A&M to develop a new type of BeO nuclear. Work to date has confirmed that $UO_2 - BeO$ fuel is longer lasting, more efficient and provides a larger safety margin than current nuclear fuels. Under the terms of the collaborative research 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 with both Purdue and Texas A&M. Purdue has filed provisional patents covering the IBC-funded nuclear fuel research.

The next step in this research initiative will be to have an industrial assembly of the BeO-enhanced fuel approved for irradiation in a test reactor. We have not allocated funds to this initiative but are seeking a partner to jointly fund the next development step.

Financial

Except as noted, all financial amounts are determined in accordance with IFRS and expressed in thousands of US dollars, except per-share amount.

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SELECTED QUARTERLY INFORMATION

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

Quarter Ended	Revenue	Loss for the period	Basic and diluted loss per share ¹
	\$000	\$000	\$
June 30, 2014	4,323	(792)	(0.10)
September 30, 2014	4,646	(519)	(0.07)
December 31, 2014	5,087	(706)	(0.09)
March 31, 2015	4,479	(582)	(0.07)
June 30, 2015	3,572	(996)	(0.12)
September 30, 2015	4,232	(721)	(0.08)
December 31, 2015	3,324	(1,774)	(0.19)
March 31, 2016	4,741	(296)	(0.03)

¹ The sum of quarterly loss per share may not add to year-to-date totals due to rounding

Factors affecting quarterly losses include:

- June 30, 2014 – our Copper Alloys operations had a weak quarter, although this was partly offset by improved Engineered Materials sales. The Copper Alloys weakness was not due to any single factor but had a variety of causes that were not attributable to a long-term trend.
- June 30, 2015 – while Engineered Materials enjoyed a strong quarter, Copper Alloys operations experienced a weak quarter that reflected a trend towards lower order intake.
- December 31, 2015 – Copper Alloys sales decreased markedly due in part to general sector problems (weak demand, lower price of copper) but also other factors such as ongoing customer equipment-related issues that resulted in lower orders.
- March 31, 2016 – We enjoyed record sales in our Engineered Materials divisions, and our loss decreased as a result.

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RESULTS OF OPERATIONS

Overview Three Months Ended March 31, 2016

We incurred a loss of \$296 for the three months ended March 31, 2016 compared to a loss of \$582 in the comparative 2015 period. Our sales improved 6% compared to the comparative year, but were up 43% compared to our second quarter, which was unusually weak. Our Engineered Materials operations reflected the highest sales quarter since we acquired the business in 2010. Thanks to ongoing cost-cutting inactivates, our financial operating performance improved significantly. A summary of our results of operations to income before other income (loss) ("operating income (loss)") follows:

	Three Months Ended				Three Months Ended			
	March 31, 2016				March 31, 2015			
	Copper	Eng.	Corp.	Consol-	Copper	Eng.	Corp.	Consol-
	Alloys	Mat.		idated	Alloys	Mat.		idated
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	2,890	1,851	-	4,741	3,683	796	-	4,479
Cost of sales								
Materials	1,019	329	-	1,348	2,056	415	-	2,471
Labour	777	293	-	1,070	504	223	-	727
Subcontract	323	153	-	476	-	-	-	-
Overhead	458	344	-	802	306	400	-	706
Depreciation	128	86	-	214	121	69	-	190
Change in finished goods	(52)	207	-	155	(25)	2	-	(23)
	2,653	1,412	-	4,065	2,962	1,109	-	4,071
Gross profit (loss)	237	439	-	676	721	(313)	-	408
SG&A expenses	442	177	296	915	569	346	276	1,191
Operating income (loss)	(205)	262	(296)	(239)	152	(659)	(276)	(783)
Gross margin	8%	24%	-	14%	20%	(39%)	-	9%

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Our loss for the nine months ended March 31, 2016 was \$2,791 compared to a loss of \$1,807 in the comparative period. The increase in our loss for the primarily attributable to a very weak second quarter, particularly in Copper Alloys. A summary of our results of operations to income before other income (loss) ("operating income") follows:

	Nine Months Ended March 31, 2016				Nine Months Ended March 31, 2015			
	Copper Alloys \$	Eng. Mat. \$	Corp. \$	Consol- idated \$	Copper Alloys \$	Eng. Mat. \$	Corp. \$	Consol- idated \$
Sales	8,616	3,681	-	12,297	12,082	2,130	-	14,212
Cost of sales								
Materials	4,499	746	-	5,245	7,548	817	-	8,365
Labour	1,718	832	-	2,550	1,419	947	-	2,366
Subcontract	719	610	-	1,329	-	-	-	-
Overhead	1,227	1,054	-	2,281	1,009	1,099	-	2,108
Depreciation	386	260	-	646	297	244	-	541
Change in finished goods	(154)	186	-	32	(278)	2	-	(276)
	8,395	3,688	-	12,083	9,995	3,109	-	13,104
Gross profit (loss)	221	(7)	-	214	2,087	(979)	-	1,108
SG&A expenses	1,373	598	905	2,876	1,198	944	959	3,101
Operating income (loss)	(1,152)	(605)	(905)	(2,662)	889	(1,923)	(959)	(1,993)
Gross margin	3%	0%	-	2%	17%	(46%)	-	8%

Segment Analysis

A discussion about the significant components of the segment operating loss and net loss follows.

Copper Alloys

- In the current fiscal year, Copper Alloys gross profit has been adversely affected by a combination of declining sales and significant fixed operating costs.
- A decline in the price of copper reduced our sales by \$1,502 and a decline in production volume decreased sales by \$1,144 in the nine months ended March 31, 2016 compared to the same period in 2015. Changes in by-product sales (\$274 decline) and sales mix (\$546 decrease) accounted for the remainder of the difference. We try to pass price changes (favourable or unfavourable) through to our customers but sharp declines in price adversely affect our profitability due to holding losses on inventory.
- The increase in Copper Alloys expenses is primarily due to a bad debt recovery booked in the prior year and reduced salary allocations to Engineered Materials.

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- Interest expense, shown below the operating income line, relates to line of credit and term loan facilities for our Copper Alloys operations.

Engineered Materials

- Engineered Materials gross profit margin is adversely affected by fixed costs being spread over a small sales volume. In the short term, material and supplies costs are the only significant variable expense. As noted above, we enjoyed the strongest sales quarter ever in Engineered Materials and recorded much improved profitability measures as a result. We expect that if Engineered Materials sales increase, gross margin will improve as the fixed costs will be spread over a larger sales volume.
- Our manufacturing overhead decreased in the current fiscal period primarily as a result of staffing changes.
- Depreciation charges are a significant proportion of operating costs, so while we report an operating loss, the cash flow performance of Engineered Materials is better. We expect that most of Engineered Materials' current plant and equipment will be substantially depreciated by the end of fiscal 2016. We expect to undertake a capital expansion plan in the next few months, so we will continue to record depreciation expense in future periods.

Corporate

- Corporate expenses relate 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. We have taken steps to reduce corporate overhead, which are reflected in lower second quarter expenses, and expect that expenses will further decrease in the third fiscal quarter.
- Investor relations expense largely comprises consulting fees paid to communicate information about us to current and prospective investors. As a result of new initiatives, particularly regarding our Engineered Materials operations, we increased our investor relations activities and expect they will remain at the current level for the foreseeable future. We have curtailed new investor relations programs but will continue to recognize expense for previously purchased programs.
- We include corporate-related personnel costs in salaries, wages, and management fees expense. Our CEO and CFO have at various times deferred payment of some or all of their compensation or taken payment in shares. Accordingly, our cash operating costs were less than the accrued costs reflected in our financial statements. See *Liquidity and Capital Resources* below for further particulars in this regard.
- Professional fees comprise corporate audit and legal and related fees, other than legal fees incurred for financings, which are capitalized.
- Other income primarily represents receipts from the sublease of our premises. This income will not be significant in future periods as we downsize our premises.

CHANGES IN FINANCIAL POSITION SINCE JUNE 30, 2015

Changes in our financial position since June 30, 2015 relate to operations in the ordinary course.

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LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2016, we had working capital of \$775 including cash and equivalents of \$156, as compared to working capital of \$2,904 at June 30, 2015. Factors affecting our liquidity include:

- As discussed elsewhere in this MD&A, in May 2016, we closed a financing which generated gross proceeds of C\$7,460 (approximately \$5,700).
- We have raised \$300 through the issuance of promissory notes which are due in the third quarter of fiscal 2017. We believe that our operating cash flow will be sufficient to repay these notes as planned.
- Copper Alloys generally generates enough cash independently to support its operations (although it did not do so in the second or third quarters). Engineered Materials has a history of losses, but generated income in the third quarter. We expect that we will continue to support Engineered Materials' operations, at least in the short term, primarily to acquire beryllium inventory.
- The main limitation on our cash position is the cost of maintaining our corporate office and corporate development initiatives. Related to this are restrictions imposed by our banks that currently prevent us from transferring funds from Copper Alloys to our other segments. Consequently, at present, our corporate office, research and corporate development activities are entirely dependent on our ability to raise equity funds. We have taken steps to reduce corporate costs. While we have seen the benefit of these initiatives, the full impact of the savings will be realized in the second quarter of fiscal 2017.
- To support our cash position, directors and officers deferred \$584 of compensation to March 31, 2016. This obligation was largely settled following closing of the offering, with insiders subscribing for units valued at C\$353 (\$268) with their after-tax compensation. Following the financing, a balance of \$89 remains which is payable at the discretion of the board of directors following the Company reaching profitability.
- We have purchase commitments that may exceed our operational needs with the result that we may over-invest in inventory.
- 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.
- We may be obliged to incur material expenditures on purchases of property, plant and equipment to maintain our productive capacity or service customers. In particular, based on sales initiatives under way, we are contemplating the purchase of equipment to expand our capacity to produce Beralcast[®] products. We expect that the proceeds from our May 2016 offering will be sufficient to meet our short-term needs.

We may be able to generate additional cash by expanding our bank facilities but 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.

COMMITMENTS

At March 31, 2016, we had commitments to lease premises over the next five years with an aggregate payment obligation of \$2,265. We were also committed to raw materials purchases over the next two years aggregating \$4,143.

RELATED PARTY TRANSACTIONS

Except as described below, we do not have any contractual relationships with directors or officers other than employment contracts in the ordinary course of business. The employment contracts are not financially material to our business except that our vice-president corporate relations and special projects (formerly our CEO), CFO and executive vice-president of business and technical development are eligible to receive payments of up to C\$450, C\$96 and \$405 respectively in the event of a change of control of IBC, if certain conditions are met. The amounts payable to our vice-president corporate relations and special projects were reduced in conjunction with our May 2016 reorganization.

Our directors were paid \$36 per year, but agreed in October 2012 to reduce annual director compensation to \$18 temporarily as part of a broader initiative to reduce overhead expenses.

In the period ended March 31, 2016, we borrowed \$150 from our CEO (formerly our COO) under two promissory notes. The loans are secured by the accounts receivable and inventory of our Engineered Materials division and bear interest at an annual rate of 10%.

Our CEO has agreed to be partially compensated in our common shares, subject to conditional acceptance by the TSX Venture Exchange. For the period January 2016 to July 2016, we will pay our CEO cash compensation to cover necessary payroll withholdings with the balance to be paid in our common shares. From July 2016 to January 2017 we will pay a combination of cash and shares. The share price used will be the closing price of IBC's common shares on the TSX-V on the last trading day of the month. Any extension of the arrangement beyond one year would be also subject to obtaining disinterested shareholder approval.

As noted above, we entered into an advisory agreement with KMSMITH LLC, Mark Smith's consulting company. We will pay the \$17 per month from April 1, 2016 until December 31, 2016. We have also granted KMSMITH LLC options to purchase up to 907,000 common shares in accordance with our stock option plan at an exercise price of C\$0.375 until May 22, 2021.

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 and credit risk. 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.

Foreign Exchange Risk

While most of our activities are in the United States, we maintain a corporate office in Canada and raise money in Canadian dollars. We manage exchange risk on equity capital by converting expected United States expenditures to United States dollars at the time the money is raised.

Interest Rate Risk

Our 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. Our term loan has a fixed interest rate and is not exposed to short-term interest rate risk.

Commodity Price Risk

Our profitability and long-term viability depend, in large part, on the market prices of copper, aluminum and beryllium. The market prices for metals can be volatile and are affected by factors beyond our 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. We cannot predict the effect of these factors on metal prices. We do not engage in hedging but, where possible, structures selling arrangements in a way that passes commodity price risk through to the customer.

Credit Risk

We manage credit risk by trading with recognized creditworthy third parties and insuring trade receivables. In addition, we monitor receivable balances with the result that the Company's exposure to bad debt is generally not significant.

We also manage our credit risk by investing surplus cash in low-risk, liquid securities, typically short-term deposits with large financial institutions.

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.

In spite of these procedures, we remain subject to risk in this regard.

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

POTENTIAL SHARE ISSUANCE

Our board and the TSX-V have approved the issuance of 3,333 shares to settle a contingent liability of \$30 with a supplier but we have not yet issued the shares.

SHARE CONSOLIDATION

As described above, we consolidated our share capital on the basis of one post-consolidation common share for every ten pre-consolidation common shares. We previously had 98,085,813 common shares issued and outstanding and had 9,808,492 common shares issued and outstanding on completion of the consolidation, after adjusting for rounding. All share and per-share amounts have been restated to reflect the effect of the consolidation.

PRIVATE PLACEMENT

In conjunction with the consolidation, we completed a non-brokered private placement of 19,893,670 post-consolidation units at C\$0.375 per unit for gross proceeds of C\$7,460, which reflected receipts exceeding the original 25% oversubscription option.

Each unit consists of one post-consolidation common share of IBC and one transferable share purchase warrant. Each warrant is exercisable to acquire an additional post-consolidation common share of IBC at a price of C\$0.50 until May 24, 2021. The warrants have an acceleration provision, so that in the event IBC trades at C\$2.50 or greater for 21 consecutive trading days at any time until May 24, 2018, warrant holders will have 60 days to exercise their warrants, failing which the warrants will expire. The securities issued are subject to a hold period expiring September 25, 2016.

We conducted the private placement in reliance upon certain prospectus and registration exemptions. Funds raised under the private placement will be used for planned capital expenditures at our Copper Alloys and Engineered Materials divisions to increase capacity and production efficiencies, and to provide general business working capital. While we intend to spend the available funds as indicated above, there may be circumstances where, for sound business reasons, a reallocation of the available funds may be necessary. We paid finders' fees on the private placement \$291 (of which \$87 was paid through the issuance of 233,000 units with the same terms as the private placement) and issued warrants to purchase up to 907,000 common shares at C\$0.50 until May 24, 2021.

SHARE OPTIONS

We have a rolling 10% share option plan that allows for the issuance of options equal to 10% of the number of issued shares. Shareholders approved our 2015 share option plan at our annual general meeting held in December 2015.

In August 2015, we granted incentive stock options to directors, officers, management and certain key employees and consultants, to purchase up to 120,000 common shares. The options have an exercise price of C\$1.20, are exercisable until August 25, 2020 and vest in stages over a three-year period.

In August 2015, an option holder forfeited 6,500 options and, in November 2015, another option holder forfeited 50,000 options. In March 2016, 2,666 options expired unexercised and in May 2016, 3,333 options expired unexercised. In May 2016, as noted in *Related Party Transactions*, we issued options to purchase up to 907,000 common shares at a price of C\$0.375 until May 2021.

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WARRANTS

In February 2016, 1,516,700 warrants exercisable at C\$1.80 expired unexercised and in March 2016, 852,729 warrants exercisable at C\$2.40 expired unexercised.

In May 2016, we issued warrants to purchase up to 907,000 common shares at C\$0.375 and 20,126,670 common shares at C\$0.50 as part of a private placement, as described under *Private Placement* above.

OUTSTANDING SHARE DATA

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

- A total of 29,935,162 common shares. In addition, we plan to issue 3,333 common shares to settle a contingent liability to a supplier.
- Warrants to purchase 22,015,070 common shares.
- Share options to purchase 1,746,000 common shares.

The maximum number of shares potentially issuable is therefore 53,699,565.