IBC Advanced Alloys

IBC ADVANCED ALLOYS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

Expressed in United States Dollars

JUNE 30, 2018

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Independent Auditor's Report

Board of Directors and Shareholders
IBC Advanced Alloys Corp.
Franklin, Indiana, USA

We have audited the accompanying consolidated financial statements of IBC Advanced Alloys Corp. and its subsidiaries (the Company), which comprise consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of loss and other comprehensive loss, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IBC Advanced Alloys Corp. and its subsidiaries as of June 30, 2018 and 2017, and the results of their operations and their cash flows for the years then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Emphasis of Matter Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and is not currently in compliance with certain loan covenants for which the bank has not provided a waiver that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

BDO USA, LLP

Grand Rapids, Michigan
November 1, 2018

IBC ADVANCED ALLOYS CORP.
Consolidated Statements of Financial Position
(US dollars in thousands)

	Note	June 30 2018 $	June 30 2017 $
ASSETS			
Current assets			
Cash and cash equivalents		4,527	100
Receivables, net of provision for impairment		2,815	2,428
Inventories, net of provision for impairment	7	5,886	4,830
Prepaid expenses and deposits		229	148
Total current assets		13,457	7,506
Non-current assets			
Deposits		294	294
Property, plant, and equipment	8	6,543	7,096
Other assets		1	1
Total non-current assets		6,838	7,391
Total assets		20,295	14,897
LIABILITIES			
Current liabilities			
Line of credit	9	2,360	2,600
Accounts payable and accrued liabilities	10, 20	4,171	3,102
Notes payable, related parties	11, 20	300	300
Unearned revenue		2,031	534
Loan payable	11	1,008	1,080
Arbitration award liability	10, 20	1,395	1,395
Total current liabilities		11,265	9,011
Non-current liabilities			
Lease inducement	10	142	213
Debentures	11	1,627	-
Total non-current liabilities		1,769	213
Total liabilities		13,034	9,224
EQUITY			
Share capital	13	53,792	52,686
Reserves	14	9,396	8,213
Accumulated deficit		(55,927)	(55,226)
Total equity		7,261	5,673
Total liabilities and equity		20,295	14,897
Going concern operations	2		

On behalf of the board of directors:

"Simon Anderson" Director — *"Mark Smith"* Director

Simon Anderson — Mark Smith

See accompanying notes

IBC ADVANCED ALLOYS CORP.
Consolidated Statements of Loss and Other Comprehensive Loss
(US dollars in thousands, except for share and per share amounts)

Year ended June 30	Note	2018 $	2017 $
Revenue		19,399	15,715
Cost of revenue	7, 8	16,330	15,448
Gross profit		3,069	267
Selling, general, and administrative expenses			
Consulting fees	17	28	-
Depreciation	8	8	-
Director fees, cash portion	17	75	40
Doubtful debts		101	4
Investor relations		90	182
Office and miscellaneous		611	394
Professional fees		229	271
Public company costs		81	91
Rent		240	183
Salaries, wages, and management fees	17	1,592	2,060
Share-based compensation and services	15	208	244
Travel, meals, and entertainment		175	172
		3,438	3,641
Loss before other items		(369)	(3,374)
Other income (expense)			
Foreign exchange loss		(52)	(54)
Interest expense	9, 11	(286)	(194)
Loss on disposal of assets		-	(294)
Interest income		2	1
Other income (expense)		14	(27)
Arbitration award liability	10, 20	-	(1,395)
Loss before income taxes		(691)	(5,337)
Income tax expense			
Current		(11)	(25)
Loss for the period, net of tax		(702)	(5,362)
Other comprehensive profit (loss), net of tax			
Foreign currency translation		2	(4)
Total comprehensive loss, net of tax		(700)	(5,366)
Basic and diluted loss per common share	21	(0.02)	(0.18)
Weighted average number of common shares outstanding	21	34,049,246	30,184,165

See accompanying notes

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

Year ended June 30	2018	2017
	$	$
Cash flows used in operating activities		
Loss for the period, net of tax	(702)	(5,362)
Adjustments for:		
Share-based compensation and share-based services	208	244
Non-cash loss on disposal of assets	-	294
Doubtful debts expense	101	4
Depreciation	782	747
Interest income	(2)	(1)
Interest expense	286	194
Lease Inducement	(71)	(72)
Changes in non-cash working capital items:		
Receivables	(488)	(228)
Inventories	(1,056)	(376)
Prepaid expenses and deposits	(81)	387
Accounts payable and accrued liabilities	1,054	83
Unearned revenue	1,497	531
Arbitration award	-	1,395
Cash provided by (used in) operations, before tax	1,528	(2,160)
Income taxes	-	-
Net cash provided by (used in) operating activities	1,528	(2,160)
Cash flows from financing activities		
Net line of credit advances (repayments)	(240)	918
Interest paid	(271)	(195)
Notes payable, related parties repayments	-	(75)
Loan repayments	(71)	(69)
Loan proceeds	3,048	-
Debenture financing costs	(448)	-
Subscription received	-	2
Private placement proceeds	1,119	-
Share issue costs	(13)	-
Net cash provided by financing activities	3,124	581
Cash flows used in investing activities		
Interest received	2	1
Purchase of property, plant, and equipment	(229)	(1,791)
Net cash used in investing activities	(227)	(1,790)
Foreign exchange effect on cash	2	(4)
Change in cash during the period	4,427	(3,373)
Cash and cash equivalents, beginning of period	100	3,473
Cash and cash equivalents, end of period	4,527	100

See accompanying notes

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

	Note	Share Capital	Reserves	Accumulated Deficit	Equity
		$	$	$	$
At June 30, 2016		52,499	8,016	(49,864)	10,651
Foreign currency translation gain		-	(4)	-	(4)
Subscription received		2	-	-	2
Shares for services	13	185	48	-	233
Share-based compensation	15	-	153	-	153
Loss for the period		-	-	(5,362)	(5,362)
At June 30, 2017		52,686	8,213	(55,226)	5,673
Foreign currency translation loss		-	1	1	2
Private placement		1,119	-	-	1,119
Share issue costs		(13)	-	-	(13)
Shares to be issued for services	13	-	125	-	125
Share-based compensation	15	-	83	-	83
Warrants and conversion features issued with debentures	14	-	974	-	974
Loss for the period		-	-	(702)	(702)
At June 30, 2018		53,792	9,396	(55,927)	7,261

See accompanying notes

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. The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol "IB" and on the OTCQB International market under the symbol "IAALF".

The head office and principal address of the Company is 401 Arvin Road, Franklin, Indiana.

2. Basis of Presentation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's board of directors approved the release of these consolidated financial statements on October 31, 2018.

b) Basis of measurement

These consolidated 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 note 23. The consolidated 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.

2. Basis of Presentation (continued)

c) Going concern of operations

These consolidated 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 of June 30, 2018, the Company had not yet achieved consistently profitable operations, having incurred a loss of $701 during the year ended June 30, 2018 and, as of that date, the Company had accumulated losses of $55,927 since inception was in breach of certain bank covenants as of June 30, 2018 related to its line of credit and term loan facility for which a bank waiver was not received. On July 31, 2018 the bank did renew the line of credit and term loan facility until February 28, 2019 on substantially the same terms as the previous extension but was silent on waiver of covenants. As a result, the Company's line of credit and term loan have been presented as due on demand even though the bank has made no such demand. While the Company demonstrated profitability in the third and fourth quarter of fiscal 2018, this was predominantly because of inventory valuation adjustments for raw materials recovered from scrap. The Company expects to incur additional losses in the future until additional cost savings measures, additional revenue generation and certain manufacturing equipment are in place.

The Company's continuing operations, ability to discharge its liabilities and fulfill its commitments as they come due are dependent upon several factors. These factors include continued sales of the Company's products, the support of its bank and related parties, and the ability of the Company to continue to obtain equity and debt financing. The Company's continuing operations are dependent, ultimately, upon 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.

The Company has sufficient cash to fund its immediate needs but it is likely that the Company will have to undertake additional fundraising. The Company has been successful in raising additional funds in the past but there is no assurance it will be able to do so in the future.

Management believes the Company will be successful at securing additional funding, and, if it successfully sustains profitable operations at its production facilities, would continue as a going concern for the foreseeable 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.

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 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 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. On July 24, 2014, the IASB affirmed its proposal to defer the effective date of IFRS 9 to periods beginning after January 1, 2018. Earlier application of IFRS 9 was permitted. The Company did not early adopt this standard. Due to the nature of the company's operations, the adoption of IFRS 9 and the recognition of expected credit losses will impact the Company's provision for impairment related to its receivables from customers. Management has not yet completed an assessment to determine the impact.

b) IFRS 15 - Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board issued IFRS 15, Revenue from Contracts with Customers, which provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. This standard is effective January 1, 2017 and allows early adoption. On July 22, 2015, the IASB unanimously affirmed its proposal to defer the effective date of IFRS 15 to periods beginning after January 1, 2018. Earlier application of IFRS 15 was permitted. The Company did not early adopt this standard. This standard is not expected to materially affect the Company’s Consolidated Statements of Loss and Other Comprehensive Loss, but is expected to require additional disclosures.

c) IFRS 16 - Leases

IFRS 16 - Leases specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring that lessees recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and will be applicable to the Company’s fiscal year beginning July 1, 2019, although early adoption is permitted. The Company does not intend to early adopt this standard and is currently evaluating the impact of adopting this standard on the consolidated financial statements.

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 discussed below (note 20).

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. The Company applies a fixed accrual for uncollectable receivables and corrects the amount quarterly based on actuals (or whatever is our method). Factors which could affect actuals are the macro economic climate as well as customer disputes over quality and customer bad collections experience.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 15.

Income taxes

The Company must exercise judgment in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for expected tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

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

Useful lives of property, plant and equipment

Property, plant and equipment are amortized or depreciated over their useful lives. Useful lives are based on management's estimate of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of loss and other comprehensive loss in specific periods. More details including carrying values are included in note 8.

4. *Critical Accounting Estimates and Judgments (continued)*

Inventory

The Company reviews the net realizable value of, and demand for, its inventory on a quarterly basis to provide assurance that recorded inventory is stated at the lower of cost or net realizable value. Factors that could impact estimated demand and selling prices include the timing and success of future technological innovations, competitor actions, supplier prices and economic trends.

The valuation of Beryllium rich metal recovered during operations (revert) is based on estimated yields and the costs of the alloy used in the production process during the period.

Debentures Issued with Conversion Features and/or Warrants

The debenture is initially recorded at its fair value with the residual allocated to the equity features and warrants. The fair value of the financial liability is based upon the present value of contractual cash flows. The discount rate utilized is an estimate of the expected market interest rate for the Company of a non-convertible debenture issued without warrants.

Segmented reporting

The Company must exercise judgement in defining its business segments (note 19) and allocating revenue, expenses and assets among the segments. The Company bases allocations on the groupings used to manage the business and report to senior management. From time to time, assets and personnel of one division may be used to benefit another division resulting in inaccuracies, but these are not material.

Consolidation

The Company makes judgements about whether subsidiaries should be consolidated or not and in particular about whether IBC has control of a subsidiary. All of IBC's subsidiaries are wholly owned, directly or indirectly, and IBC is able to exert control over those subsidiaries.

5. 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. There were no changes to the Company's approach to capital management during the year ended June 30, 2018 from the year ended June 30, 2017.

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 short-term and 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 debt and equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital and 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. Imposed bank restrictions currently prevent the Company from transferring funds from Copper Alloys to our other segments.

6. Receivables

	June 30 2018 $	June 30 2017 $
Trade accounts receivable	2,907	2,438
Provision for impairment	(95)	(13)
Net trade accounts receivable	2,812	2,425
Other receivables	3	3
	2,815	2,428

At June 30, 2018, trade accounts receivable of $2,241 (June 30, 2017 - $2,042) held by Copper Alloys were pledged as collateral for bank loans (notes 9 and 11) and trade accounts receivable of $574 (June 30, 2017 - $386) held by EMC were pledged as collateral for notes payable (note 11). At June 30, 2018 and June 30, 2017, the Company made a full allowance for the collectability of receivables that extended beyond the agreed-upon payment terms with customers.

7. Inventories

	June 30, 2018			June 30, 2017		
	Cost $	Valuation Provision $	Net $	Cost $	Valuation Provision $	Net $
Raw Materials	4,118	(3)	4,115	3,257	(20)	3,237
Work in process	1,320	-	1,320	1,202	-	1,202
Finished goods	507	(57)	450	529	(138)	391
	5,945	(60)	5,885	4,988	(158)	4,830

At June 30, 2018, the Company recognized a $60 valuation provision (June 30, 2017 - $158). At June 30, 2018, inventories of $3,702 (June 30, 2017 - $3,308) held by Copper Alloys were pledged as collateral for bank loans (notes 9 and 11) and inventories of $2,183 (June 30, 2017 - $1,522) held by EMC were pledged as collateral for notes payable (note 11).

During the year ended June 30, 2018, cost of sales included materials of $7,236 (June 30, 2017 - $7,182), and labor of $3,420 (June 30, 2017 - $3,286).

During the year, beryllium bearing alloys carried in salvage (work in process) inventory were revalued. The adjustment became necessary when a new process was developed allowing recovery of the alloys previously thought to be unrecoverable. The material in question has been stored over time in drums with the belief they would be disposed of. The new process allows the material to be heated in a furnace which allows the usable alloy to separate from contaminants. As of June 30, 2018, the new process has been tested both determining the usability of the material as well as providing yield estimates for the recovery process. The adjustment to record the value of this inventory resulted in a $979 increase in raw material inventory values and a corresponding adjustment to cost of goods sold.

8. Property, Plant, and Equipment

	Land	Machinery and Equipment	Vehicles	Leasehold Improve-ments	Furniture and Fixtures	Total
	$	$	$	$	$	$
Cost						
At June 30, 2016	510	8,302	9	4,668	110	13,599
Purchases	-	1,791	-	-	-	1,791
Disposals	-	(496)	-	-	(27)	(523)
At June 30, 2017	510	9,597	9	4,668	83	14,867
Purchases	-	206	-	11	12	229
At June 30, 2018	510	9,803	9	4,679	95	15,096
Accumulated depreciation and impairment						
At June 30, 2016	90	5,294	3	1,763	105	7,255
Depreciation expense	-	492	2	250	3	747
Disposals	-	(204)	-	-	(27)	(231)
At June 30, 2018	90	5,582	5	2,013	81	7,771
Depreciation expense	-	509	2	268	3	782
At June 30, 2018	90	6,091	7	2,281	84	8,553
Net book value						
At June 30, 2016	420	3,008	6	2,905	5	6,344
At June 30, 2017	420	4,015	4	2,655	2	7,096
At June 30, 2018	420	3,712	2	2,398	11	6,543

At June 30, 2018, the Company had pledged property, plant, and equipment held by Copper Alloys with a net book value of $3,072 (June 30, 2017 - $3,407) as collateral for bank loans (notes 9 and 11).

Presentation of the Company's depreciation expense is as follows:

Year ended June 30	2018	2017
	$	$
Cost of revenue	774	747
Selling, general and administrative expenses	8	-
Total depreciation expense	782	747

9. Line of Credit

	June 30 2018 $	June 30 2017 $
Line of credit with BMO Harris Bank (maximum $3,000 - June 30, 2017 maximum of $3,500) at one-month LIBOR plus 3.75% (LIBOR plus 3.75% at June 30, 2017), renewed at January 31, 2018 where the bank lowered the maximum to $3,000 with all other terms substantially similar terms to July 31, 2018, collateralized by substantially all of Nonferrous' and Freedom's assets.	2,360	2,600
	2,360	2,600

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

The Company's line of credit agreement with BMO Harris Bank requires that the Company maintain minimum net worth, 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, 2017, quarters ended September 30, 2017 and December 31, 2017, the Company was in breach of covenants relating to the Company's tangible net worth, ratio of liabilities to tangible net worth and debt service coverage ratio under its line of credit and term loan (note 11) facility with BMO Harris Bank. On January 31, 2018, BMO Harris Bank waived the covenant breaches and granted the Company a six month extension to its line of credit. During the quarters ended March 31, 2018, and June 30, 2018, the Company was in breach of covenants relating to the Company's tangible net worth, ratio of liabilities to tangible net worth and debt service coverage ratio under its line of credit and term loan (note 11) facility with BMO Harris Bank. On July 31, 2018, BMO Harris Bank renewed the line of credit to February 28, 2019 on substantially the same terms as the prior agreement.

10. Accounts Payable and Accrued Liabilities

	June 30 2018 $	June 30 2017 $
Trade accounts payable	2,606	1,315
Employee wages and payroll withholdings	190	135
Accrued liabilities	1,304	1,580
Lease inducement - current portion	71	72
Accounts payable and accrued liabilities - current	4,171	3,102
Arbitration award liability	1,395	1,395
Lease inducement - long-term	142	213

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 June 30, 2018, the remaining lease inducement was $213 (June 30, 2017 - $284).

11. Loan and Notes Payable, Related Parties

	June 30 2018 $	June 30 2017 $
Loan payable to BMO Harris Bank in monthly payments of $10 including interest at 5.98% per year to September 30, 2019, collateralized by substantially all the assets of Nonferrous and Freedom.	1,008	1,080
Notes payable to related parties with monthly accrued interest at 10% per year, principal due February 4, 2019 and March 31, 2019; monthly accrued interest at 12% per year, principal due February 28, 2019 and March 13, 2019, secured by accounts receivable and inventory of Engineered Materials.	300	300
Convertible debentures with monthly accrued interest at 8.25% per year, payable semi-annually in arrears each June 30 and December 31, with principal and any remaining unpaid accrued interest due June 6, 2023, subordinate to all existing and future secured indebtedness.[1]	1,521	1,080
Debentures with monthly accrued interest at 9.5% per year, payable semi-annually in arrears each June 30 and December 31, with principal and any remaining unpaid accrued interest due June 6, 2023, subordinate to all existing and future secured indebtedness.[2]	106	-
	2,935	1,380
Financial statement presentation:		
Loans payable	1,008	1,080
Notes payable, related parties	300	300
Gross proceeds from convertible and non-convertible debentures	3,048	-
Unamortized transaction costs and original issued discount (arising from warrants and conversion features) allocated proportionately to convertible and non-convertible debentures	(1,421)	-
	2,935	1,380

[1]The convertible debentures may be redeemed on or after June 6, 2020, at the option of the Company, provided the volume weighted average trading price of the common shares on the TSX Venture Exchange equal or exceed C$0.62 for the 30 consecutive trading days preceding the date of notice. These convertible debentures are convertible into common shares at a conversion price of C$0.31 per common share at the option of the holder. The Company can force conversion on or after June 6, 2020, provided the volume weighted average trading price of the common shares on the TSX Venture Exchange equal or exceed C$0.62 for the 30 consecutive trading days preceding the date of notice. Additionally, 2,300 detached warrants were issued for each multiple of C$1,000 to holders of the convertible debentures.

[2]The debentures may be redeemed on or after June 6, 2020, at the option of the Company, provided the volume weighted average trading price of the common shares on the TSX Venture Exchange equal or exceed C$0.62 for the 30 consecutive trading days preceding the date of notice. Additionally, 2,300 detached warrants were issued for each multiple of C$1,000 to holders of the debentures.

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

The Company's bank loan with BMO Harris Bank requires that the Company maintain minimum net worth, minimum debt coverage, and debt-to-tangible net worth ratios. During the year ended June 30, 2017, quarters

11. Loan and Notes Payable, Related Parties (continued)

ended September 30, 2017 and December 31, 2017, the Company was in breach of covenants relating to the Company's tangible net worth, ratio of liabilities to tangible net worth and debt service coverage ratio under its line of credit (note 9) and term loan facility with BMO Harris Bank. On January 31, 2018, BMO Harris Bank waived the covenant breaches. The Company and the banking facility agreed upon an interest rate increase from 4.98% to 5.98% effective January 1, 2018. During the quarters ended March 31, 2018 and June 30, 2018, the Company was in breach of covenants relating to the Company's tangible net worth, ratio of liabilities to tangible net worth and debt service coverage ratio under its line of credit (note 9) and term loan facility with BMO Harris Bank.

12. Income Taxes

The material components of the income tax expense for the years ended June 30, 2018 and 2017 are as follows:

Year ended June 30	2018 $	2017 $
Current tax expense		
Current tax on profit for the period	11	25
Deferred tax expense		
Deferred tax expense	-	-
Total income tax expense	11	25

The difference between tax recovery for the year and the expected income taxes based on the statutory tax rate arises as follows:

Year ended June 30	2018 $	2017 $
Loss before income taxes	(691)	(5,337)
Tax recovery based on the statutory rate of 26% (2017 - 26%)	(180)	(1,388)
Non-deductible expenses	43	46
Different tax rates in other jurisdictions	(7)	(601)
Change in enacted rates	1,860	-
Adjustment for under provision in previous year	37	815
State income taxes and other	14	19
Changes in unrecognized deferred tax assets	(1,756)	1,134
Total income tax expense	11	25

For the year ended June 30, 2018, the Canadian federal corporate tax rate and the British Columbia provincial tax rate remained at 15% and 12% respectively. The US federal tax rate changed to 21% from 34% due to the Tax Cuts and Jobs Act.

12. Income Taxes (continued)

Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities at June 30, 2018 and 2017 are summarized as follows:

	June 30 2016	Recognized in net income	Recognized in equity	June 30 2017
	$	$	$	$
Losses carried forward	8,783	642	-	9,425
Shares issue costs	88	(36)	-	52
Inventories and other	1,263	(928)	-	335
Legal expenses	-	546	-	546
	10,134	224	-	10,358
Offset against deferred tax liabilities	(1,896)	(84)	-	(1,980)
Unrecognized deferred tax asset	(8,238)	(140)	-	(8,378)
Deferred tax assets	-	-	-	-
Property, plant and equipment	(2,286)	306	-	(1,980)
Intangibles	390	(390)	-	-
Offset against deferred tax liabilities	1,896	84	-	1,980
Deferred tax liabilities	-	-	-	-
Net deferred tax balance	-	-	-	-

12. Income Taxes (continued)

	June 30 2017	Recognized in net income	Recognized in equity	June 30 2018
	$	$	$	$
Losses carried forward	10,262	(2,234)	-	8,028
Shares issue costs	52	(12)	-	40
Inventories and other	492	(66)	-	426
Legal expenses	546	(182)	-	364
	11,352	(2,494)	-	8,858
Offset against deferred tax liabilities	(1,980)	738	-	(1,242)
Unrecognized deferred tax asset	(9,372)	1,756	-	(7,616)
Deferred tax assets	-	-	-	-
Property, plant and equipment	(1,980)	738	-	(1,242)
Intangibles	-	-	-	-
Offset against deferred tax liabilities	1,980	(738)	-	1,242
Deferred tax liabilities	-	-	-	-
Net deferred tax balance	-	-	-	-

Tax Losses

As at June 30, 2018, the Company has accumulated non-capital losses of approximately C$15,688 (June 30, 2017 - C$15,560) for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years, which expire in various amounts from 2019 to 2038. The Company also has United States non-operating losses of approximately $14,795 (June 30, 2017 - $15,425) which expire up to 2037.

U.S. Tax Reform

On 22 December 2017, the U.S. government enacted comprehensive tax legislation commonly referred as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act includes a number of changes to existing U.S. tax laws that impact the Group, most notably a reduction of the U.S. corporate income tax rate from 34 percent to 21 percent for tax years beginning after 31 December 2017. The Tax Act provides for the acceleration of depreciation for certain assets placed in service after 27 September 2017 as well as prospective changes beginning in 2018, including, but not limited to, acceleration of tax revenue recognition, and additional limitations on the deductibility of interest.

The income tax effects of the Tax Act were recognized in its June 30, 2018 financial statements in accordance with IAS 12, in the reporting period in which the Tax Act was signed into law. As, such the financial results reflect the income tax effects of the Tax Act.

The changes to existing U.S. tax laws as a result of the 2017 Tax Act, which is believed to have the most significant impact on the federal income taxes are as follows:

12. Income Taxes (continued)

Reduction of the U.S. Corporate Income Tax Rate

Deferred tax assets and liabilities were measured using enacted tax rates that will apply in the years which the temporary differences are expected to be recovered or paid. Accordingly, deferred tax assets and liabilities were remeasured to reflect the reduction in the U.S. corporate income tax rate from 34% to 21%, resulting in a $1,860 increase in income tax expense for the year ended June 30, 2018 and a corresponding $1,860 decrease in net deferred tax assets as of June 30, 2018.

Net Operating Losses (NOL)

The Tax Act introduced a new law which limits the NOL deduction for a given year to 80% of taxable income. The new law also repeals the carry back provisions, but allows new NOLs to be carried forward indefinitely. NOLs created prior to January 1, 2018 will still follow the old law of being carried forward for 20 years and being able to offset income by 100%.

13. 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.

	Number of Shares	Common Shares $
June 30, 2016	29,935,162	52,499
Subscription received	-	2
Shares issue for services	411,428	185
June 30, 2017	30,346,590	52,686
Private placement	3,828,525	1,119
Shares issue costs	-	(32)
June 30, 2018	34,175,115	53,773

13. Share Capital (continued)

Fiscal 2018

Debentures

In June 2018, the Company closed an offering of debenture units and convertible debenture units. The offering raised gross proceeds of C$4.1 million. Pursuant to the offering, the Company issued 182 debenture units and 3,987 convertible debenture units at a price of C$1,000. We issued 9,381,700 financing warrants exercisable at C$0.37 until June 6, 2023.

Each debenture unit consists of one 9.5% unsecured debenture of the Company in the principal amount of $1,000 with interest payable semi-annually in arrears on June 30 and December 31 of each year and maturing on June 6, 2023, and 2,300 common share purchase warrants expiring on June 6, 2023.

Each convertible debenture unit consists of one 8.25% unsecured convertible debenture of the Company in the principal amount of $1,000, convertible into common shares at a conversion price of $0.31 per common share at the option of the holder, with interest payable semi-annually in arrears on June 30 and December 31 of each year and maturing on June 6, 2023, and 2,300 warrants expiring on June 6, 2023.

Each warrant issued with the debenture units and convertible debenture units entitles the holder to purchase one common share of the Company at an exercise price of $0.37 at any time up to June 6, 2023. The warrants and conversion features include anti-dilution adjustments to the respective exercise and conversion prices for stock splits, stock dividends and rights or bonus issues.

The agents for the offering were paid a cash commission equal to 6.75% of the gross proceeds of the offering; and issued 1,086,253 broker warrants exercisable at $0.37 until June 6, 2023.

The offered units were issued pursuant to a final short-form prospectus dated May 28, 2018 filed with the securities regulatory authorities in British Columbia, Alberta and Ontario. The Company received final approval to list the convertible debentures, debenture shares, warrant shares and common shares underlying the convertible debentures and broker warrants on the TSX Venture Exchange.

Private Placement

On July 12, 2017, the Company announced the completion of a non-brokered Private Placement ("Private Placement") for gross proceeds of C$1,435. We issued 1,914,259 financing warrants exercisable at C$0.45 until July 12, 2019.

In connection with the closing of the Private Placement, the Company issued 3,828,525 units ("Units") at a price of C$0.375 per Unit for gross proceeds of C$1,435. Each Unit consists of one common share ("Common Share") of IBC and a one-half of one transferable share purchase warrant ("Warrant"). Each full Warrant entitles the holder to acquire an additional Common Share of IBC at a price of C$0.45 until July 12, 2019. The Warrants have an acceleration provision, to which, the Warrant holders will either need to exercise the Warrants or have them expire within 60 days if IBC's common shares trade at C$0.90 or greater for 21 consecutive trading days. The acceleration clause will come into effect after the one-year anniversary of the Warrant issuance. The securities issued and all securities issued upon exercise of those securities, were subject to a hold period which expired on November 12, 2017.

Certain directors and senior officers of the Company subscribed for an aggregate of 263,333 Units in the Private Placement for gross proceeds of C$99. Each of these subscriptions constitutes a "related party transaction" within the meaning of TSX Venture Exchange Policy 5.9 - Protection of Minority Security Holders in Special Transactions and Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions. The Company conducted the private placement in reliance upon certain prospectus and registration exemptions.

13. Share Capital (continued)

Funds raised under the Private Placement will be used to provide general working capital, to support current production ramp-up, and to serve as a bridge financing until IBC has achieved sustained cash-flow-positive operations. We paid finders' fees on the Private Placement in the aggregate amount of C$25 in cash and issued 66,656 non-transferable common share purchase warrants ("Finder's Warrant"). Each Finder's Warrant is exercisable with the same terms as those Warrants issued to subscribers in the Private Placement.

Fiscal 2017

In March 2017, the Company issued 48,457 common shares for services to directors of the Company and issued 83,210 of common shares for services to an officer of the Company.

In December 2016, the Company issued 52,927 common shares for services to directors of the Company.

In September 2016, the Company issued 203,681 common shares for services to an officer of the Company and in November 2016, the Company issued 23,153 common shares for services to an officer of the Company.

14. 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
	$	$	$	$
At June 30, 2016	524	7,330	162	8,016
Foreign currency translation reserve	-	-	(4)	(4)
Shares for services	-	48	-	48
Share-based compensation	-	153	-	153
At June 30, 2017	524	7,531	158	8,213
Foreign currency translation reserve	-	-	1	1
Shares to be issued for services	-	125	-	125
Share-based compensation	-	83	-	83
Warrants and conversion features issued with Debentures	974	-	-	974
At June 30, 2018	1,498	7,739	159	9,396

15. 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 practice is to issue share options with a term of five years that vest in increments over a three-year period. 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 2017 shareholders' meeting.

Option Grants

A summary of stock option activity to June 30, 2018 is as follows:

	Stock Options Outstanding	Weighted Average Exercise Price C$
June 30, 2016	2,487,500	0.85
Expired	(415,750)	1.34
At June 30, 2017	2,071,750	0.75
Expired	(209,500)	1.50
At June 30, 2018	1,862,250	0.67

During the year ended June 30, 2018, the Company recognized share-based compensation and share-based services expense of $208 (June 30, 2017 - $244).

15. Share-Based Payments (continued)

At June 30, 2018, the Company had outstanding and exercisable stock options as follows:

	Outstanding Options			Exercisable Options	
Exercise Price	Number	Weighted Average Remaining Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
C$			C$		C$
0.37	907,000	2.90 years	0.37	907,000	0.37
0.77	676,000	3.00 years	0.77	507,000	0.77
1.20	97,000	2.16 years	1.20	72,750	1.20
1.40	75,250	0.48 years	1.40	75,250	1.40
1.50	107,000	1.55 years	1.50	107,000	1.50
	1,862,250	2.72 years	0.67	1,669,000	0.65

The Company employed the Black-Scholes option-pricing model using the following weighted average assumptions to determine share-based compensation:

	2017
Annualized stock price volatility	172%
Risk-free interest rate	0.60%
Expected option lives	3.2 years
Dividend yield	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.

16. Warrants

	Financing Warrants		Broker Warrants	
	Warrants Outstanding	Weighted Average Exercise Price C$	Warrants Outstanding	Weighted Average Exercise Price C$
At June 30, 2016	21,001,670	0.55	1,013,400	0.44
Issued	-	-	-	-
Expired	(875,000)	1.80	(106,400)	1.00
At June 30, 2017	20,126,670	0.50	907,000	0.38
Issued	11,295,959	0.38	1,086,253	0.37
Expired	-	-	-	-
At June 30, 2018	31,422,629	0.46	1,993,253	0.37

At June 30, 2018, 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
1,914,259	-	0.450	July 12, 2019
20,126,670	907,000	0.375	May 24, 2021
9,381,700	1,086,253	0.370	June 6, 2023

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.

17. Related Parties Transactions

Key management personnel compensation was:

Year ended June 30	2018 $	2017 $
Short-term employee benefits	1,016	1,276
Share-based payments	103	332
	1,119	1,608

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

As of June 30, 2018, $310 (June 30, 2017 - $122) is owing to directors and officers for services and $11 (June 30, 2017 - $7) is owing to officers for expenses paid on the Company's behalf.

As of June 30, 2018, $300 (June 30, 2017 - $301) is owing to a director and officer and individuals related to him for notes payable principal and interest (note 11). During the year ended June 30, 2018, the Company incurred interest expense of $33 (June 30, 2017 - $34) on amounts due to related parties.

18. Commitments and Contingencies

The Company has entered into commercial property leases. These leases have an average remaining life of 2.1 years, with no renewal options. The future minimum rental payments under non-cancellable operating leases at June 30, 2018 are:

Period ending June 30	$
2019	539
2020	509
2021	310
	1,358

The Company recognized lease expense of $489 for the year ended June 30, 2018 (June 30, 2017 - $564).

The Company is contractually committed to purchase, at June 30, 2018 prices, an aggregate of $2,320 (June 30, 2017 - $1,409) in raw materials. The contract periods do not coincide with the Company's fiscal year, but the estimated commitment in the fiscal period is as follows:

Period ending June 30	$
2019	2,320

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 3,333 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 as of June 30, 2018 and June 30, 2017.

19. Segment Reporting

As of June 30, 2018, the Company had three reportable segments: Copper Alloys, Engineered Materials and Corporate. As of June 30, 2018, the Company had two manufacturing segments: Copper Alloys and Engineered Materials. The manufacturing segments produce beryllium copper, Beralcast® and other specialty alloy products. Corporate oversees and administers the operating divisions. In prior periods, the Company also had Research & Development but it is no longer material and is incorporated into the Corporate segment.

The accounting policies of the segments are the same as described in note 23 of these 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	Corporate	Total
	$	$	$	$
Year ended June 30, 2018				
Revenue from external customers	14,040	5,359	-	19,399
Depreciation	381	401	-	782
Share-based compensation	22	16	170	208
Interest expense	229	33	24	286
Other income	1	13	-	14
Operating income (loss)	243	25	(637)	(369)
Foreign exchange loss				(52)
Interest expense				(286)
Interest income				2
Other income				14
Loss before income taxes				(691)
Income tax expense	(2)	(3)	(6)	(11)
Capital expenditures	46	183	-	229

19. Segment Reporting (continued)

	Copper Alloys	Engineered Materials	Corporate	Total
	$	$	$	$
Year ended June 30, 2017				
Revenue from external customers	11,872	3,843	-	15,715
Depreciation	424	323	-	747
Share-based compensation	46	32	166	244
Interest expense	160	34	-	194
Other income (expense)	(39)	(1,405)	22	(1,422)
Loss before other items	(586)	(1,695)	(1,093)	(3,374)
Foreign exchange loss				(54)
Loss on disposal of assets				(294)
Interest expense				(194)
Interest income				1
Other expense				(1,422)
Loss before income taxes				(5,337)
Income tax expense	(20)	(5)	-	(25)
Capital expenditures	394	1,397	-	1,791

19. Segment Reporting (continued)

Total assets employed by each division are:

	June 30 2018 $	June 30 2017 $
Copper Alloys	9,146	8,843
Engineered Materials	8,416	5,911
Corporate	2,733	143
	20,295	14,897

All of the Company's long-lived assets are located in the United States.

Total liabilities recognized by each division are:

	June 30 2018 $	June 30 2017 $
Copper Alloys	6,091	5,223
Engineered Materials	4,538	3,542
Corporate	2,405	459
	13,034	9,224

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

	June 30 2018 $	June 30 2017 $
United States	12,136	10,667
All others	7,263	5,048
	19,399	15,715

No revenues to any country, other than the United States, comprise more than 10% of total sales.

The following customers represented more than 10% of sales:

	June 30, 2018		June 30, 2017	
	Amount $	%	Amount $	%
Customer A	-	-	1,838	11.7
Customer B	2,339	12.1	-	-
Customer C	3,519	18.1	2,477	15.8

19. Segment Reporting (continued)

Property, plant and equipment	June 30 2018 $	June 30 2017 $
United States	6,543	7,096

20. 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.

Fair Values

The Company's financial instruments classified as level 1 use quoted prices in active markets including cash. 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 year ended June 30, 2018.

Foreign Exchange Risk

Most of the Company's activities are in the United States, but the Company conducts business in other countries from time to time. The principal foreign exchange risk exposure arises from transactions denominated in Canadian dollars. The Company had maintained a corporate office in Canada which the Company closed in September 2016.

As of June 30, 2018 with other variables unchanged, a 1% increase (decrease) in the Canadian dollar would increase (decrease) net earnings by approximately $24 (June 30, 2017 - $nil).

20. Financial Risk Management (continued)

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

Balances at June 30, 2018	$
Cash and cash equivalents	3,534
Receivables	-
Accounts payable and accrued liabilities	374
Debentures	4,079

Balances at June 30, 2017	$
Cash and cash equivalents	9
Receivables	-
Accounts payable and accrued liabilities	240
Debentures	-

Interest Rate Risk

The Company's interest rate risk mainly arises from the interest rate impact on interest expense on the BMO Harris Bank line of credit. The Company's term loan has a fixed interest rate and is not exposed to interest rate risk.

As of June 30, 2018, with other variables unchanged, a 1% increase (decrease) in the interest rate paid on short-term deposits would increase earnings by approximately $nil (June 30, 2017 - $nil).

As of June 30, 2018, with other variables unchanged, a 1% increase (decrease) in the interest paid on the BMO Harris Bank line of credit would increase (decrease) earnings by approximately $24 (June 30, 2017 - $26).

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 impaired receivables is not significant.

20. Financial Risk Management (continued)

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.

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.

June 30, 2018	Less than three months	Three to 12 months	One to five years	Total
	$	$	$	$
Trade and other payables	3,874	297	-	4,171
Line of credit	2,360	-	-	2,360
Notes payable, related parties	-	300	-	300
Loan payable	1,008	-	-	1,008
Arbitration award liability	-	-	1,395	1,395
Convertible debentures	-	-	1,521	1,521
Debentures	-	-	106	106
	7,242	597	3,022	10,861

June 30, 2017	Less than three months	Three to 12 months	One to five years	Total
	$	$	$	$
Trade and other payables	2,854	248	-	3,102
Line of credit	2,600	-	-	2,600
Notes payable, related parties	-	300	-	300
Loan payable	1,080	-	-	1,080
Arbitration award liability	-	-	1,395	1,395
	6,534	548	1,395	8,477

See notes 9 and 11 for contractual undiscounted cash flow requirements for the line of credit and loan payable as at June 30, 2018.

Legal Matters

As more fully discussed below, we are involved in a variety of claims, lawsuits, investigations and proceedings concerning securities law, intellectual property law, environmental law, employment law and the Employee Retirement Income Security Act ("ERISA"). We determine whether an estimated loss from a

20. Financial Risk Management (continued)

contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. We assess our potential liability by analyzing our litigation and regulatory matters using available information. We develop our views on estimated losses in consultation with outside counsel handling our defense in these matters, which involves an analysis of potential results, assuming a combination of litigation and settlement strategies. Should developments in any of these matters cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

On September 8, 2017, an Award was issued in favor of Claimant Gerald Hoolahan against IBC Advanced Alloys Corp. The Award, in the amount of $1,240 plus attorney's fees, costs, and expenses in the amount of $155, was granted by the American Arbitration Association's International Centre for Dispute Resolution. The amount has been accrued and the matter is under appeal.

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, except for the debentures issued on June 6, 2018 and maturing June 6, 2023 with conversion features and/or warrants as discussed in Note 11. The fair value of these debentures was determined using an estimate range of the expected market interest rate (17.5% to 20.5%) for the Company of a non-convertible debenture issued without warrants.

21. Loss Per Share

Year ended June 30	2018	2017
Loss for the year ($000)	(702)	(5,362)
Weighted average number of common shares outstanding	34,049,246	30,184,165
Loss per share, basic and diluted ($ per share)	(0.02)	(0.18)

Diluted loss per share for the periods ended June 30, 2018 and 2017 is the same as basic loss per share as the exercise of the 1,669,000 share options (June 30, 2017 – 2,071,750) and 29,508,370 warrants (June 30, 2017 – 21,033,670) would be anti-dilutive.

22. Events after the reporting date

Subsequent to June 30, 2018, the Company announced it awarded options to directors, officers, employees and consultants to purchase up to 1,100,750 common shares on July 25, 2018 at C$0.31 per share.

23. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements unless otherwise indicated.

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of IBC and its subsidiaries at June 30, 2018. Subsidiaries consist of entities over which IBC is exposed to, or has rights to, variable returns as well as the ability to affect these returns through the power to direct the relevant activities of the entity. To the extent that subsidiaries provide services that relate to the Company's activities, they are fully consolidated from the date control is transferred to IBC and are deconsolidated from the date control ceases. These consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of IBC and its subsidiaries after eliminating inter-entity balances and transactions. Any other investments in subsidiaries would not be consolidated, but measured at fair value through profit or loss in accordance with IAS 39, but there are no non-consolidated subsidiaries.

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

Copper Alloys division consist of Freedom, Nonferrous, NF Industries, Inc., and Specialloy. Engineered Materials division consists of EMC.

23. Significant Accounting Policies (continued)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is remeasured and subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated fully upon consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interest.
- Derecognizes the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes any surplus or deficit in profit or loss.

23. Significant Accounting Policies (continued)

- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

b) Foreign currency transactions

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

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the entity's functional currency by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into the functional currency by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income.

Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument and are included in profit or loss.

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

The functional currency of IBC is the Canadian dollar. All other entities have a functional currency of the United States dollar. These financial statements are presented in United States dollars.

Entities with a functional currency other than US dollars are translated at the exchange rate in effect at the end of each period and the results of operations are translated at the average exchange rate for each period. The resulting exchange difference is charged to other comprehensive loss and applied to the cumulative foreign currency translation reserve.

23. Significant Accounting Policies (continued)

c) Cash and cash equivalents

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

d) Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials:

- Purchase cost on a weighted average basis.

Finished goods and work in progress

- Average cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

e) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking in to account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability, interest income is included in finance income in the statement of loss and other comprehensive loss.

Unearned revenue

Under terms of contract; an advance procurement provision provided revenues for the long lead purchase of metals. The balance shown for unearned revenue is that portion of the advance procurement that resides either in cash or reserved metal and is liquidated as product is delivered under contract.

23. Significant Accounting Policies (continued)

f) Property, plant and equipment

Recognition and measurement

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

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

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

Subsequent costs

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

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

Major maintenance and repairs

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

Gains and losses

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

Depreciation

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

	Years
Machinery and equipment	5-30
Vehicles	5
Leasehold improvements	over lease period
Furniture and fixtures	5-7

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

23. Significant Accounting Policies (continued)

g) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued, where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

23. Significant Accounting Policies (continued)

h) Financial instruments

At June 30, 2018, the Company did not have available-for-sale or held-to maturity financial instruments.

The Company classifies its financial instruments as follows:

		June 30 2018 $	June 30 2017 $
Loans and receivables, recorded at amortized cost	• Cash and cash equivalents	4,527	100
	• Receivables	2,815	2,428
Financial liabilities, recorded at amortized cost	• Lines of credit	2,360	2,600
	• Accounts payable and accrued liabilities	4,171	3,102
	• Loan and notes payable	1,308	1,380
	• Arbitration award liability	1,395	1,395
	• Convertible debentures	1,521	-
	• Debentures	106	-

Financial assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All financial assets are initially recognized at fair value plus transaction costs, except FVTPL, and are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets are classified as FVTPL when the asset is either:

- held for trading; or
- designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resulting gain or loss recognized in profit or loss.

Loans and receivables

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

Impairment on financial assets

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

23. Significant Accounting Policies (continued)

Financial liabilities

The Company classifies its financial liabilities in the following categories: FVTPL and amortized cost.

The Company does not have any FVTPL liabilities.

Amortized cost liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. These financial liabilities are classified as current or non-current based on their maturity date. Amortized cost liabilities include accounts payable and accrued liabilities, lines of credit and loans.

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire.

Financial instruments

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

23. Significant Accounting Policies (continued)

i) Provisions

Other provisions

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

j) Income taxes

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

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

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

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

k) Share capital

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

Certain financial instruments may be determined to be compound instruments, which comprise of both liability and equity components in accordance with the substance of the contractual arrangement. At inception, the fair value of the liability component is initially measured with any residual amount assigned to the equity component, with no subsequent remeasurement. Transaction costs are allocated proportionately to the liability and equity components.

23. Significant Accounting Policies (continued)

l) Earnings / loss per share

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

m) Share-based payments

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

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

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

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