



IBC ADVANCED ALLOYS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SIX MONTHS ENDED DECEMBER 31, 2017

401 ARVIN ROAD
FRANKLIN, IN 46131

TELEPHONE: 317-738-2558
EMAIL: INFO@IBCADVANCEDALLOYS.COM

Table of Contents

Executive Summary	2
Our Business.....	2
Corporate Developments.....	3
Board of Directors and Management Changes	3
Manufacturing Operations	4
Copper Alloys	4
Engineered Materials	5
Business Risks	7
Research Initiatives	11
Financial.....	12
Selected Quarterly Information	12
Results Of Operations – Second Quarter 2018.....	13
Liquidity and Capital Resources.....	15
Commitments.....	16
Related Party Transactions.....	16
Financial Instruments and Other Instruments.....	16
Environmental and Occupational Safety Issues.....	18
Shareholders' Equity	19
Potential Share Issuance	19
Private Placement.....	19
Outstanding Share Data	20
Subsequent Events.....	20

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

The following is management's discussion and analysis ("MD&A") of IBC Advanced Alloys Corp., and its subsidiaries, prepared as of February 27, 2018. This MD&A should be read together with the unaudited interim condensed consolidated financial statements for the six months ended December 31, 2017 and the audited consolidated financial statements and related notes for the year ended June 30, 2017. 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.

This MD&A contains "forward-looking information" or "forward-looking statements" within the meaning of applicable securities legislation, concerning future financial or operating performance of IBC and its business and operations. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative and grammatical variations) of such words and phrases or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and are effective only as of the date of this MD&A. These assumptions, which include management's current expectations, estimates and assumptions about certain projects and the markets we operate in, the global economic environment, interest rates, exchange rates and, our business strategy, plans, outlook and shareholder value, projections, targets and expectations and our ability to manage our assets and operating costs, may prove to be incorrect.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including: our estimates regarding capital requirements; future production, future cash and total costs of production for our manufacturing operations; our expectations with respect to transactions with third parties; changes in general economic conditions, the financial markets and the demand of our products; our expectations with respect to the timing, progress and success of the various stages comprising our nuclear fuels programs; changes in, and the effects of, the laws, regulations and government policies affecting operations, particularly laws, regulations and policies; and uncertainties in the market price for minerals and metals, such as copper, and exchange rates. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Other factors that could cause actual results to differ materially include, but are not limited to, those set forth in our most recent Annual Information Form under "Risk Factors". Also, many of the factors are beyond our control. Accordingly, readers should not place undue reliance on forward-looking statements or information. We undertake no obligation to reissue or update forward-looking statements or information as a result of new information or events after the date hereof except as may be required by applicable securities laws. All forward-looking information and statements made in this MD&A are qualified by this cautionary statement.

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

The Company's unaudited interim consolidated financial statements for the period ended December 31, 2017 have been prepared in accordance IAS 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

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

Executive Summary

In the fiscal second quarter of 2018, the Company posted increased sales, gross profit, and gross margins, driven by stronger order bookings and improved productivity enabled by capital equipment upgrades. The Company also narrowed its fiscal 1H 2018 operating Loss over the year-ago period, and reiterated its goal of achieving profitability in fiscal Q3 of 2018.

Some specific highlights of the Company's performance in fiscal Q2 follow:

- IBC posted a 32% increase in year-on-year sales for the quarter, with Engineered Materials division sales up 41% and Copper Alloys division sales 29% higher. Over the first six months of its fiscal year 2018, IBC's consolidated sales rose 32% to \$9 million over comparable year-ago period sales of \$6.8 million, with Copper Alloy sales rising 18% and Engineered Materials sales jumping 80%.
- The Company cut its loss for the period in the quarter by 52% to \$402 (\$0.01 per share) on total revenue of \$4.7 million, as compared to a loss in the year-ago period of \$838 (\$0.03/share) on revenue of \$3.6 million, and a sequential quarterly loss of \$602 (\$0.02/share) on revenue of \$4.3 million. The Company cut its fiscal 1H 2018 loss for the period by 59% to \$1 million, compared a comparable year-ago period loss of \$2.45 million.
- The Company's consolidated gross margin rose 38% in the quarter to 11%, as compared to an 8% gross margin in the comparable year-ago period. The Company's Fiscal 1H 2018 gross margin turned to a positive 10% from a negative gross margin of (3%) in the comparable year-ago period.
- Order bookings increased 9.6% in the quarter for Copper Alloys, and product shipments in the quarter from Engineered Materials to its two largest customers improved by 96% and 130%, respectively, compared to the year-ago quarter.
- Selling, General and Administrative (“SGA”) expenses in the quarter were cut 25% from the year-ago quarter and have been reduced by 21% over the first six months of Fiscal Year 2018 compared to the comparable year-ago period.

Our Business

We are primarily engaged in developing and manufacturing advanced alloys, in particular beryllium-aluminum alloys and specialty copper alloys, for a variety of customers in the defense and non-defense sectors, including those in aerospace, automotive, marine defense, electronics, industrial equipment, oil and gas, among others. Our head office is located in Franklin, Indiana. 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 73 people and comprise two divisions: Copper Alloys and Engineered Materials.

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

- **Copper Alloys** manufactures and distributes a wide variety of copper alloys as castings and forgings: beryllium copper, chrome copper, oxygen-free high conductivity copper and aluminum bronze as plate, block, bar, rings, and specialty copper alloy forgings for the industrial welding, oil and gas, plastic mold, metal melting, marine defense, electronic and industrial equipment markets.
- **Engineered Materials** manufactures and supplies high-performance beryllium-aluminum components to the aerospace and high-tech manufacturing sectors.

At present, we are engaged in research and development of scandium-containing alloys, and we are monitoring developments related to the potential use of beryllium oxide ("BeO") in enhanced nuclear fuels, which has been the subject of previous research by the Company.

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 "IAALF".

Corporate Developments

- In December 2017, we announced the successful manufacture of several aluminum-scandium alloy ingots at our Wilmington, MA facility.
- In September 2017, an Award was issued in favor of Claimant Gerald Hoolahan against the Company, which the Company is currently contesting. See *Legal Matters* below.
- In July 2017, we completed a non-brokered private placement issuing 3,828,525 units at an issue price of C\$.375 per unit for gross proceeds for C\$1,435. 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. The planned use of proceeds is for general working capital purposes, to support a current production ramp-up and to serve as a bridge financing until the Company has sustained cash-flow positive operations.

Each unit consisted of one common share of IBC and a one-half of one transferable share purchase 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, under which, in the event that IBC's common shares trade C\$.90 or higher for 21 consecutive days, a warrant holder must either exercise the warrants or have them expire within 60 days following that period. The acceleration clause comes into effect on July 12, 2018. The securities issued in the offering and all securities issued upon exercise of those securities, are subject to a hold period that expired on November 12, 2017. In connection with the private placement, we paid finders' fees and issued finders' warrants. See *Shareholders' Equity – Private Placement* below.

Board of Directors and Management Changes

David Anderson resigned as CFO effective January 19, 2018.

James P. Taylor was appointed as Interim Chief Financial Officer, effective January 19, 2018. It is anticipated that James will serve in this position until a permanent CFO is appointed by the Company. Currently, he serves as CFO of Hampson Equities Ltd. From 2013-2017, he served as CFO of Para Resources Inc. (TSX-V:PBR). Prior to that, he served as CFO for Cyber Development Group International, LLC, an early-stage business in the Internet infrastructure space. His achievements include responsibility for the Initial Public Offering of PEER 1 Network Enterprises Inc., where he managed several equity and debt financings as well as a major

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

recapitalization. The company's revenue grew from approximately \$1 million to over \$70 million during his tenure with the company. He graduated from Indiana University with a B.S. in Finance and Accounting and earned his MBA in International Business and Corporate Finance from DePaul University.

Manufacturing Operations

We currently have four manufacturing operations in the United States that employ a total of 73 people.

Location	Building Area		Leased/Owned	Employs
	m ²	sq ft		
Copper Alloys				
Franklin, IN	4,500	48,800	Owned	38
Royersford, PA	1,500	16,000	Leased	6
New Madrid, MO	2,500	26,500	Owned	4
				48
Engineered Materials				
Wilmington, MA	5,800	63,000	Leased	25
				73

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, including beryllium copper, chrome copper, oxygen-free high conductivity copper, and aluminum bronze as plate, block, bar, rings and specialty copper alloy forgings for various markets and applications. 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, IN, 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 should economic conditions and business plans call for such expansion.

We source copper alloys as 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 foundries and buy other billet from independent third-party foundries and 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

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

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, PA 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. This gives us the capability to manufacture large 21-inch diameter beryllium copper input billets weighing up to two tons. These large-scale as-cast billets exhibit consistently fine-grained, uniform micro-structures coupled with high purity, low carbide chemical compositions.

Our New Madrid, MO plant is located on a 2.4-hectare (6.0 acres) site 265 kilometers (165 miles) south of St. Louis, Missouri. It has two furnaces and is capable of producing billets in a range of sizes and compositions. This facility is underutilized and, as a result, there is room for significant expansion of plant operations at this location should economic conditions and business plans call for such expansion.

ENGINEERED MATERIALS

The Engineered Materials division 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 are used in commercial and military applications requiring complex, lightweight and/or high-stiffness parts. We have additional, higher-performance products in development. Using our proprietary manufacturing techniques, our objective is to make beryllium-aluminum components more accessible and cost-effective for a wide range of industries and applications.

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 their 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 it 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 it allows for a near-net shape to be cast for maximum manufacturing and cost efficiencies.

Binary beryllium-aluminum composites were developed by a US corporation, which was originally a metallurgical laboratory affiliated with the Massachusetts Institute of Technology (MIT), in cooperation with Lockheed Martin. We own the intellectual property relating to the more advanced development of this technology, which is a proprietary castable metal matrix composite beryllium-aluminum alloy now manufactured as Beralcast[®]. We believe that a competitor has sought to develop 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 for our beryllium-aluminum products is different from that employed for Copper Alloys products, we operate a separate manufacturing facility optimized for Beralcast[®] and ABX[™] alloys in Wilmington, MA.

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

We are developing Engineered Materials' business by undertaking product-focused development initiatives with a heavy emphasis on defense applications. Generally, the process for developing and ramping up to production on a new product is as follows:

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 the 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. **Low-Rate Initial Production ("LRIP")** – New programs typically work through a start-up phase to optimize various processes 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 product development and sales initiatives with a range of existing and potential new customers at stages from memorandum of understanding to volume production.

Recent Business Initiatives

In September 2014, Lockheed Martin Missiles and Fire Control selected Engineered Materials to provide critical cast components for the Electro-Optical Targeting System ("EOTS") on the F-35 Lightning II. EOTS is a multi-function system that provides precision air-to-air and air-to-surface targeting capability. The first component covered by this contract is an EOTS azimuth gimbal housing being manufactured using Beralcast®, Engineered Materials' proprietary beryllium-aluminum casting alloy.

Lockheed Martin has awarded us three 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 2014, was for LRIP lots 7 and 8, and the second contract awarded in August 2015 was for LRIP lots 9 and 10. We have completed production of LRIP lots 7, 8, 9 and 10 and have delivered approximately 60% of the third contract, LRIP lot 11.

The value of the initial contract in 2014 was just over \$2.0 million, including machining, non-recurring engineering and hard tooling deliverables. The value of the second contract in 2015, which is for castings only, was for a similar amount. The third contract, which is for a single LRIP, has been awarded and is valued at approximately \$2.6 million. See *Business Risks* below. These contracts, with subsequent LRIP contract awards, have the potential to increase significantly over the life of the F-35 program. The EOTS system is 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 aircrafts.

In addition to our publicly announced contracts with Lockheed Martin and Raytheon, we are currently pursuing other sales opportunities with several defense companies, including BAE Systems and other major aerospace companies.

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

Installation and commissioning of a new vacuum induction melting (VIM) furnace in our Wilmington, MA production facility was completed in May 2017. We have ramped up our production capacity at this facility in order to fill existing Beralcast® orders as well as a significant acceleration of component part orders from existing and new customers. Advanced automation and real-time process monitoring have been integrated into this VIM furnace, thereby enabling a significant step-change in capability. With improved cycle time, the daily melt capacity has increased 25% in the Engineered Materials division. Combined with additional shifts, reduced maintenance down-time, and expected yield improvements, this capital improvement has positioned the Engineered Materials division to significantly increase output to meet increased customer demand.

In May 2017, we successfully completed the installation and commissioning of a new Solution Annealing Furnace and Quench Tank at our Copper Alloys division's Franklin, Indiana facility. The unit's operational start marked the completion of the major component of the Copper Alloys division's capital improvement program. This furnace features enhanced temperature uniformity throughout the furnace and an attached quench tank. The automated controls provide consistency throughout the heat treat and quenching cycles. These controls allow us to certify our processes as conforming to AMS 2750 Rev E, (SAE International, <http://standards.sae.org/ams2750/>), as required by many customers in the aerospace, defense, and oil and gas sectors.

BUSINESS RISKS

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

Dependence on Ulba Metallurgical Plant and sole-source suppliers

Our proprietary Beralcast® and ABX™ castings and many of our copper alloys use beryllium which is a specialty metal that is not readily sourced. 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 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 lasting through 2021. Ulba's ability to honor 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.

We are dependent upon several suppliers of our base materials and alloying agents as sole-source suppliers. Approximately 80% of our materials purchased, including Ulba Metallurgical Plant as described above, are primarily from these sole-source suppliers. Any disruptions in these suppliers' ability to manufacture our base materials and alloying agents could have a materially adverse effect on our short-term revenue, while we seek to engage alternative sources.

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, labor turnover, equipment failures, and adverse weather. These issues normally only cause short-term interruptions but can affect our ability to meet our quarterly revenue and profitability objectives.

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

Need to Meet Product Specifications

Most of the products we manufacture are required to conform to a specification. Some of these specifications are very exacting. 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.

Legal Matters

In the normal course of business operations, the Company and its subsidiaries are parties, from time to time, to various civil and administrative proceedings. These may include product liability claims, health and safety claims, environmental claims and employee-related matters.

On August 7, 2012, we received a demand from Gerald Hoolahan alleging damages related to a Stock Purchase Agreement in connection with the Company's acquisition of Beralcast Corp., now IBC Engineered Materials Corp. 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 Award is premised on the Arbitrator's general finding of IBC's certain breaches of contract related to the Stock Purchase Agreement previously mentioned. Gerald Hoolahan was a Vendor in that transaction and received shares of the Company as partial consideration for the transaction. These shares were subject to trading restrictions. The Arbitrator's Award is fashioned based upon a calculation of prospective sales of Gerald Hoolahan's shares before the restrictions were removed. The Arbitrator determined the restrictions to be improper. The Company vigorously disputes the allegations and is appealing the Arbitrator's Award.

On January 21, 2014, a subsidiary in the Copper Alloys division, Nonferrous Products, Inc. ("Nonferrous Products") received a "Special Notice Letter of Potential Liability" from the United States Environmental Protection Agency ("EPA"). The letter references the EPA's determination that a release of hazardous materials had occurred at the Chemetco Superfund Site located in Hartford, Illinois. Chemetco, Inc. operated a secondary smelting operation for recycling and after-market processing of copper-bearing scrap and manufacturing by-products. The EPA has identified Nonferrous Products as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"). Nonferrous Products was identified as a PRP due to the EPA's review of Chemetco's records indicating that Nonferrous Products shipped more than 150,000 pounds of material to the Superfund Site. Nonferrous Products has joined a defense group of other PRPs. The presumed amount of shipped material from Nonferrous Products classifies it as a Tier 3 Group member of four tiers, with Tier 1 consisting of PRP's that shipped the highest volume of material to Chemetco. By joining the PRP Group, Nonferrous Products entered into an Amended Cost Sharing Agreement which requires certain assessments based on an interim allocation according to Tier Group. To date, Nonferrous Products has paid immaterial amounts related to these assessments and member fees. These assessments will be used to fund further site investigation to determine the amount of materials sent to Chemetco by each party and the best clean-up method. The matter is in its early stages. It is premature to speculate on any potential liability to the Company. Nonferrous Products demanded defense and indemnity under various insurance policies, to which several insurers agreed to defend Nonferrous Products under a reservation of rights.

On April 7, 2015, a subsidiary in the Copper Alloys division, Freedom Alloys, Inc. ("Freedom Alloys") was named as a defendant in a suit filed in the Superior Court of the State of California, Los Angeles County entitled *Godoy et al. v The Argen Corporation et al.* BC578085. This

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

Complaint for Survival and Wrongful Death from Toxic Injuries alleges Freedom Alloys, along with five other defendants, supplied beryllium-containing materials causing fatal chronic beryllium disease to the plaintiffs' deceased father. The complaint alleges the decedent was exposed to beryllium alloys through his employment as a foundry worker at H. Kramer & Co. and also as a dental lab technician at various dental labs in the Los Angeles area. The claim was dismissed in September 2015, but was reinstated on the plaintiffs' appeal in June 2016. A trial date has been set for April 2019. While the outcome of any legal proceeding is difficult to predict, the Company believes that it has adequate defenses to prevail in this matter.

On March 7, 2016, Maxum Indemnity Company filed a Complaint for Declaratory Judgment against Freedom Alloys in the United States District Court for the Eastern District of Pennsylvania, seeking a judgment that it owes Freedom Alloys no duty to defend or indemnify Freedom Alloys for the underlying *Godoy et al. v The Argen Corporation et al.* lawsuit described above. The matter is pending as *Maxum Indemnity Company v Freedom Alloys Inc.*, case number 2:16-CV-01077-AB. The matter was stayed by agreement based on the status of *Godoy et al. v The Argen Corporation et al.* However, because *Godoy et al. v The Argen Corporation et al.* has resumed proceedings in the trial court in California, Maxum's counsel has threatened to lift the Stay of Proceedings if Freedom Alloys does not commit to giving up its claim for indemnity if it does not prevail in its defense of the matter.

Operating Performance and Outlook

Consolidated Operations

On a consolidated basis, the Company posted these results in the December 2017 quarter as compared to the year-ago period:

- Sales revenue increased by 32.4%, to \$4,728 from \$3,571;
- Gross profit increased by 81% to \$509 from \$281;
- Operating loss improved by 62.4% to a loss of \$301 from a loss of \$800; and
- Gross margin increased 38%, moving to 11% from 8%.

As compared to the quarter ended September 30, 2017, IBC posted these results on a consolidated basis:

- Sales revenue increased 10% to \$4,728 from \$4,298;
- Gross profit increased by 29% to \$509 from \$396;
- Operating loss improved by 43.7% to loss of \$301 from a loss of \$535; and
- Gross margin increased 22%, improving to 11% from 9%.

Copper Alloys Division

The Copper Alloys division completed the major components of its capital improvement program in the fiscal fourth quarter of 2017, and we stated at the time that we expected this to improve both our sales revenue and margins.

In the December 2017 quarter, and as compared to the year-ago period, the Copper Alloys division saw:

- Sales revenue increased by 29%, to \$3,393 from \$2,623;
- Gross profit increased 23% to \$451 from \$368;
- Operating profit/loss improved to income of \$10 from a loss of \$38;
- December 2017 quarterly order bookings increased 9.6% to \$2,953 from \$2,695; and
- Gross margin decreased to 13% from 14%.

As compared to the quarter ended September 30, 2017:

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

- Sales revenue increased 19.1% to \$3,393 from \$2,849;
- Gross profit increased 104% to \$451 from \$221;
- Operating profit/loss improved to income of \$10 from a loss of \$269;
- December 2017 quarterly order bookings increased 3.54% to \$2,953 from \$2,852; and
- Gross margin increased by 63%, rising to 13% from 8%.

In addition, we received bid proposals and orders in the quarter from both existing customers and new customers as a result of installing the solution annealing furnace and quench tank at our Franklin, Indiana facility.

Looking forward, we expect sales revenue to increase further as we begin shipping all awarded forged and machined copper alloy products to a Fortune 100 electronics manufacturer. We have been shipping to this customer two qualified parts and have produced samples of the remaining four parts that have been ordered, which are currently undergoing First Article Inspection. While we expect acceptance of these samples, we cannot be certain that we will meet the production specification. Expected revenues of up to \$2 million for production of sales of these six parts are based on customer forecasts and historical ordering patterns, although the customer may change these targets at its discretion.

We also expect sales revenue to improve as we resolve a disruption in our supply chain for products to be shipped to a multinational manufacturing customer in Asia.

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

	2017	2016
June 30	\$2.72	\$2.20
September 30	\$2.95	\$2.21
December 29	\$3.35	\$2.50

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

In the December 2017 quarter, and as compared to the year-ago period, the Engineered Materials division saw:

- Sales revenue increased by 41%, to \$1,335 from \$948;
- Gross profit swing to a positive \$58 from a loss of \$87;
- Operating loss improved by 48% to a loss of \$153 from a loss of \$296; and
- Gross margin shift to a positive 4% from a negative 9%.

As compared to the quarter ended September 30, 2017:

- Sales revenue decreased 8% to \$1,335 from \$1,449;
- Gross profit decreased to \$58 from \$175;
- Operating loss increased by 125% to a loss of \$153 from a loss of \$68; and

- Gross margin decreased to 4% from 12%.

Operationally in the quarter, the division continued to fulfill orders related to our ongoing Lockheed Martin business as well as orders for additional customers.

For Lockheed Martin, we have completed LRIP lots 9 and 10 and have begun making deliveries on the third contract, LRIP lot 11. LRIP lot 11 represents a 16% increase in volume compared to LRIP lots 9 and 10. Sales of commercial products within the semiconductor manufacturing sector have experienced strong growth compared to the prior year. Our order intake rate is continuing to follow this growth trend.

Research Initiatives

From time to time, we sponsor and assist in research and development ("R&D") initiatives to create new market opportunities. Our current R&D focus is on developing scandium-containing aluminum alloys. We have significant in-house expertise in the development of these ultra high-performance alloys, and the head of our Engineered Materials division is a named co-inventor of two pending patents regarding scandium-bearing aluminum alloys. This work was conducted while he was with The Boeing Company, which has actively explored the potential integration of scandium-containing aluminum alloys in commercial aircraft.

In previous years, we actively engaged in R&D regarding the potential use of beryllium oxide in enhanced nuclear fuels. Since 2008, we have sponsored collaborative research agreements with Purdue University and Texas A&M to develop a new type of BeO nuclear fuel. Work to date has confirmed that $UO_2 - BeO$ fuel is longer lasting and 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 continue to seek a partner to jointly fund the next development step.

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

Financial

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

SELECTED QUARTERLY INFORMATION

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

Quarter Ended	Revenue \$000	Loss for the period (net of tax) \$000	Basic and diluted loss per share ¹ \$
March 31, 2016	4,741	(296)	(0.03)
June 30, 2016	4,077	(1,139)	(0.06)
September 30, 2016	3,263	(1,607)	(0.05)
December 31, 2016	3,571	(838)	(0.03)
March 31, 2017	4,695	(707)	(0.02)
June 30, 2017	4,186	(2,168)	(0.07)
September 30, 2017	4,298	(602)	(0.02)
December 31, 2017	4,728	(402)	(0.01)

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

General trends and factors affecting revenue and losses include:

- Average quarterly copper Comex values have fluctuated from \$2.95 per pound for the quarter ended September 30, 2017 to \$3.35 per pound for the quarter ended December 31, 2017, but have generally trended upward since June 30, 2017.
- Some demand for our products are seasonal in nature, particularly sales of commercial castings in our Engineered Materials division. Demand is typically weaker during our second fiscal quarter.
- Significant excess capacity exists in our Royersford, PA and New Madrid, MO casting facilities. This results in significantly higher costs per unit than if the facilities were fully utilized.
- Order shipments from Engineered Materials to the division's two largest customers improved by 96% and 130%, respectively, in the quarter ended December 31, 2017 as compared to the year-ago period. This reflects significantly improved efficiencies and operational throughput made possible by the capital improvements made in calendar 2017 at our Wilmington, MA facility.
- Order bookings in the Copper Alloys division have trended upward for three of the last four quarters, while sales order backlog has also increased in three of the last four quarters. These increases reflect a trend in quotes and bids, which have generally trended upward as well.
- During the quarter ended June 30, 2017, we incurred \$1,395 in expenses related to the Arbitration Award discussed in *Legal Matters* above.

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

RESULTS OF OPERATIONS – SECOND QUARTER 2018

We incurred a loss (net of tax) of \$402 for the three months ended December 31, 2017 compared to a loss (net of tax) of \$838 in the comparative 2016 period. A summary of our results of operations to loss before other items ("operating income (loss)") follows:

	Three Months Ended December 31, 2017				Three Months Ended December 31, 2016			
	Copper Alloys \$	Eng. Mat. \$	Corp. \$	Consol- idated \$	Copper Alloys \$	Eng. Mat. \$	Corp. \$	Consol- idated \$
Sales	3,393	1,335	-	4,728	2,623	948	-	3,571
Cost of sales								
Materials	1,723	331	-	2,054	1,144	299	-	1,443
Labor	557	304	-	861	482	270	-	752
Subcontract	24	47	-	71	-	-	-	-
Overhead	532	440	-	972	428	391	-	819
Depreciation	101	99	-	200	147	82	-	229
Change in finished goods	5	56	-	61	54	(7)	-	47
	2,942	1,277	-	4,219	2,255	1,035	-	3,290
Gross profit (loss)	451	58	-	509	368	(87)	-	281
SG&A expenses	441	211	158	810	406	209	466	1,081
Operating income (loss)	10	(153)	(158)	(301)	(38)	(296)	(466)	(800)
Gross margin	13%	4%	-	11%	14%	(9%)	-	8%

Segment Analysis

A discussion about the significant components of the segment operating loss and consolidated net loss follows for the three months ended December 31, 2017 compared to December 31, 2016.

Copper Alloys

- Sales increased \$770 compared to the quarter ended December 31, 2016 from \$2,623 to \$3,393, a 29% increase. Average copper Comex values for the quarter increased by 13.6% from \$2.95 to \$3.35 per pound. Gross profit improved \$83, due to sales growth and reduced labor costs. Operating losses decreased \$48 from a loss of \$38 to a profit of \$10, primarily due to improved gross profit.

Engineered Materials

- Sales increased \$387 compared to the quarter ended December 31, 2016 from \$948 to \$1,335, a 41% increase. Sales volumes of both commercial castings and aerospace and defense castings increased significantly. Gross profit increased \$145 from a loss of \$87

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

to a profit of \$58 due to the volume increases. Operating loss decreased \$143 from a loss of \$296 to a loss of \$153, due to improved gross profit.

Corporate

- Corporate expenses decreased \$308 from \$466 to \$158 compared to the quarter ended December 31, 2016, as we closed the Vancouver office in fiscal 2017.

We incurred a loss (net of tax) of \$1,004 for the six months ended December 31, 2017 compared to a loss (net of tax) of \$2,445 in the comparative 2016 period. A summary of our results of operations to loss before other items ("operating income (loss)") follows:

	Six Months Ended December 31, 2017				Six Months Ended December 31, 2016			
	Copper Alloys \$	Eng. Mat. \$	Corp. \$	Consol- idated \$	Copper Alloys \$	Eng. Mat. \$	Corp. \$	Consol- idated \$
Sales	6,242	2,784	-	9,026	5,288	1,546	-	6,834
Cost of sales								
Materials	3,085	592	-	3,677	2,656	509	-	3,165
Labor	1,100	605	-	1,705	1,131	528	-	1,659
Subcontract	67	86	-	153	-	-	-	-
Overhead	1,120	828	-	1,948	899	749	-	1,648
Depreciation	186	199	-	385	293	165	-	458
Change in finished goods	12	241	-	253	2	100	-	102
	5,570	2,551	-	8,121	4,981	2,051	-	7,032
Gross profit (loss)	672	233	-	905	307	(505)	-	(198)
SG&A expenses	931	454	356	1,741	843	450	906	2,199
Operating income (loss)	(259)	(221)	(356)	(836)	(536)	(955)	(906)	(2,397)
Gross margin	11%	8%	-	10%	6%	(33%)	-	(3%)

Segment Analysis

A discussion about the significant components of the segment operating loss and consolidated net loss follows for the six months ended December 31, 2017 compared to December 31, 2016.

Copper Alloys

- Sales increased \$954 compared to the six months ended December 31, 2016, from \$5,288 to \$6,242, an 18% increase. Average copper Comex values increased 34% from \$2.50 to \$3.35 per pound. Gross profit improved \$365, due to increased sales volume. Operating loss decreased \$277 from a loss of \$536 to a loss of \$259 due to increased gross profit.

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

- We try to pass price changes, both favorable and unfavorable, through to our customers, but sharp declines in price may adversely affect our profitability due to holding losses on inventory.

Engineered Materials

- Sales increased \$1,238 compared to the six months ended December 31, 2016 from \$1,546 to \$2,784, an 80% increase. Gross profit swung from a loss of \$505 to a profit of \$233 due to increased sales volume. Operating loss decreased \$734 from a loss of \$955 to a loss of \$221.

Corporate

- Corporate expenses decreased \$550 compared to the six months ended December 31, 2016 from \$906 to \$356 as we closed the Vancouver office in fiscal 2017.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2017, we had working capital deficiency of \$1,095 including cash of \$377, as compared to working capital deficiency of \$1,505 including cash of \$100 at June 30, 2017. Factors affecting our liquidity include:

- We have not yet achieved sustained profitable operations.
- Current liabilities include an accrual of \$1,395 related to the Arbitration Award discussed in *Legal Matters* above. We are appealing the award.
- We have raised \$375, of which \$75 has been repaid, through the issuance of promissory notes which are due in the third quarter of fiscal 2018.
- Our banks have imposed restrictions that currently prevent us from transferring funds from Copper Alloys to our other segments. During the year ended June 30, 2017, the Company breached certain covenants associated with the line of credit and term loan, which were not resolved at the date of this MD&A.
- Effective July 1, 2016, non-executive directors have agreed to receive the majority of their compensation in common shares until the Company's financial position improves.
- 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 and repairs to property, plant and equipment to maintain our productive capacity or service customers.
- The Company manages liquidity risk associated with trade receivables by trading with recognized creditworthy third parties and insuring trade receivables. All sales are conducted in United States dollar. 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.
- The Company also manages its liquidity 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.

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

- The Company is contractually committed to purchase, at December 31, 2017 prices, an aggregate of \$2,329 in raw materials prior to June 30, 2018.
- The Company has entered into commercial property leases. These leases have an average remaining life of 2.6 years, with no renewal options. The future minimum rental payments under non-cancellable operating leases are \$269 for fiscal 2018 and \$1,305 for subsequent fiscal years.

We expect that we will need to raise additional funds in the short-term to finance working capital and growth initiatives. We may be able to generate additional cash through short-term debt or by issuing shares, but there can be no assurance that we will be successful in obtaining such funds.

COMMITMENTS

At December 31, 2017, we had commitments to lease premises over the next four years with an aggregate payment obligation of \$1,574. We are also committed to raw materials purchases over the next year aggregating \$3,984.

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 CEO is eligible to receive payment of up to \$200 in the event of a change of control of IBC, if certain conditions are met.

Our non-executive directors were paid \$36 per year, but in October 2012, agreed to temporarily reduce annual director compensation to \$18 as part of a broader initiative to reduce overhead expenses. In fiscal 2017, the non-executive directors' compensation was returned to \$36 per year but the directors agreed to receive the bulk of this amount in common shares. In December 2016, we issued 52,927 common shares to our directors as partial payment for services rendered for the quarter ended September 30, 2016. The issue date value of these shares was \$23. Mark A. Smith and Geoff Hampson each received 17,259 common shares and Mike Jarvis received 18,409 common shares. In February 2017, we issued 48,457 common shares to our directors as partial payment for services rendered for the period from October 1, 2016 to January 18, 2017. The issue date value of these shares was \$21. Mark A. Smith and Geoff Hampson each received 17,728 common shares and Mike Jarvis received 13,001 common shares. The balance of their director fees was paid in cash.

In the quarter ended March 31, 2016, we borrowed \$225 from our CEO under two promissory notes. We have repaid \$75. The loans are secured by the accounts receivable and inventory of our Engineered Materials division and bear interest at an annual rate of 10%. We borrowed a further \$150 from individuals related to our CEO. The loans are secured by the accounts receivable and inventory of our Engineered Materials division and bear interest at an annual rate of 12%.

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 the majority of our administrative and manufacturing activities occur in the United States, we incur some corporate administration costs in Canada and raise equity proceeds 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 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 some measure, 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 the following: 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, structure 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 by insuring international trade receivables. In addition, we monitor receivable balances with the result that the Company's exposure to impaired receivables is generally not significant.

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 were mandatory for the Company's fiscal years beginning on or after July 1, 2015 or are required to be adopted in future periods. The following pronouncements are relevant to the condensed consolidated interim 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

- 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 continues to be permitted. The Company does not intend to 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.

- 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 continues to be permitted. The Company does not intend to 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.

- 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.

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 an individual's 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 a full-time health and safety manager to administer and monitor our safety programs;
- 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 active exhaust vents/hoods located in equipment areas to capture and filter air;
- regularly schedule assessments and maintenance of in-house ventilation systems;
- require our employees to use appropriate personal protective equipment (such as 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.

Despite 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 legal action by employees, neighbors or those who visit our facilities.

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.

PRIVATE PLACEMENT

In July 2017, we completed a non-brokered private placement issuing 3,828,525 units at an issue 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, are subject to a hold period expiring 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 \$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.

Funds raised under the Private Placement are being 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.

IBC Advanced Alloys Corp.
Management's Discussion and Analysis
Six Months Ended December 31, 2017

OUTSTANDING SHARE DATA

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

- A total of 34,175,115 common shares. In addition, we plan to issue 3,333 common shares to settle a contingent liability to a supplier.
- Warrants to purchase 21,033,670 common shares.
- Share options to purchase 2,071,750 common shares.

The maximum number of shares potentially issuable together with the issued shares, is therefore 57,283,868.

SUBSEQUENT EVENTS

- On January 10, 2018, the Company announced the appointment of James P. Taylor to the position of Interim Chief Financial Officer, effective Friday, January 19, 2018. Mr. Taylor replaces David Anderson, who has resigned as IBC's Chief Financial Officer.
- On February 7, 2018, the Company announced that it had renewed a long-term supply contract to provide a proprietary copper alloy to a Fortune 1000 company that specializes in the manufacture of high-performance materials for the commercial aerospace sector. The U.S.-based Fortune 1000 company is an acknowledged global leader in the copper and strategic metals space, and has been an IBC customer for more than 12 years. The contract is not considered financially material to the Company, and terms of the contract renewal were not disclosed.