IBC ADVANCED ALLOYS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

Expressed in United States Dollars

June 30, 2019

Crowe MacKay LLP
1100 - 1177 West Hastings St.
Vancouver, BC V6E 4T5
Main +1 (604) 687-4511
Fax +1 (604) 687-5805
www.crowemackay.ca

Independent Auditor's Report

To the Shareholders of IBC Advanced Alloys Corp.

Opinion

We have audited the consolidated financial statements of IBC Advanced Alloys Corp. ("the Group"), which comprise the consolidated statement of financial position as at June 30, 2019 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group for the year ended June 30, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on November 1, 2018.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Keith L. Gagnon.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
October 28, 2019

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

	Note	June 30 2019 $	June 30 2018 $
ASSETS			
Current assets			
Cash		720	4,527
Receivables, net	6	3,219	2,815
Inventories, net	7	6,208	5,886
Prepaid expenses and deposits		197	229
Total current assets		10,344	13,457
Non-current assets			
Deposits		319	294
Property, plant, and equipment	8	7,150	6,543
Other assets		1	1
Total non-current assets		7,470	6,838
Total assets		17,814	20,295
LIABILITIES			
Current liabilities			
Line of credit	9	2,846	2,360
Accounts payable and accrued liabilities	10, 20	4,526	4,171
Notes payable, related parties	11, 20	200	300
Unearned revenue		1,123	2,031
Loan payable	11	936	1,008
Arbitration award liability	10, 20	1,395	1,395
Debentures, current portion	11	577	-
Total current liabilities		11,603	11,265
Non-current liabilities			
Lease inducement	10	71	142
Debentures	11	1,776	1,627
Total non-current liabilities		1,847	1,769
Total liabilities		13,450	13,034
EQUITY			
Share capital	13	54,737	53,792
Reserves	14	9,597	9,396
Accumulated deficit		(59,970)	(55,927)
Total equity		4,364	7,261
Total liabilities and equity		17,814	20,295

Going concern operation	2
Commitment and contingencies	18
Subsequent events	22

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 Comprehensive Loss

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

Year ended June 30	Note	2019 $	2018 $
Revenue	19	18,668	19,399
Cost of revenue	7, 8	17,736	16,330
Gross profit		932	3,069
Selling, general, and administrative expenses			
Consulting fees	17	199	28
Depreciation	8	21	8
Director fees, cash portion	17	54	75
Doubtful debts		-	101
Investor relations		100	90
Office and miscellaneous		601	611
Professional fees		394	229
Public company costs		203	81
Rent		85	240
Salaries, wages, and management fees	17	1,833	1,592
Share-based compensation and services	15, 17	330	208
Travel, meals and entertainment		194	175
		4,014	3,438
Loss before other items		(3,082)	(369)
Other income (expense)			
Foreign exchange		(49)	(52)
Interest expense	9, 11, 17	(925)	(286)
Loss on disposal of assets		(20)	-
Interest income		7	2
Other income		22	14
Loss before income taxes		(4,047)	(691)
Income tax recovery (expense)			
Current	12	4	(11)
Loss for the year, net of tax		(4,043)	(702)
Other comprehensive loss, net of tax			
Foreign currency translation		5	2
Total comprehensive loss, net of tax		(4,038)	(700)
Basic and diluted loss per common share	21	(0.11)	(0.02)
Weighted average number of common shares outstanding	21	36,227,834	34,049,246

See accompanying notes

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

Year ended June 30	2019	2018
	$	$
Cash flows used in operating activities		
Loss for the year, net of tax	(4,043)	(702)
Adjustments for:		
Share-based compensation and services	330	208
Loss on disposal of assets	20	-
Doubtful debts	-	101
Depreciation	820	782
Interest income	(7)	(2)
Interest expense	925	286
Lease Inducement	(71)	(71)
Changes in non-cash working capital items:		
Receivables	(404)	(488)
Inventories	(322)	(1,056)
Prepaid expenses and deposits	7	(81)
Accounts payable and accrued liabilities	358	1,054
Unearned revenue	(908)	1,497
Cash used in operations, before tax	(3,295)	1,528
Income taxes	-	-
Net cash used in operating activities	(3,295)	1,528
Cash flows from financing activities		
Net line of credit advances	486	(240)
Interest paid	(340)	(271)
Notes payable, related parties repayments	(100)	-
Loan repayments	(73)	(71)
Loan proceeds	574	3,048
Debentures financing costs	(28)	(448)
Private placement proceeds	405	1,119
Share issue costs	-	(13)
Net cash provided by financing activities	924	3,124
Cash flows used in investing activities		
Interest received	6	2
Purchase of property, plant, and equipment	(1,447)	(229)
Net cash used in investing activities	(1,441)	(227)
Foreign exchange effect on cash	5	2
Change in cash during the year	(3,807)	4,427
Cash, beginning of year	4,527	100
Cash, end of year	720	4,527

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, 2017		52,686	8,213	(55,226)	5,673
Foreign currency translation gain		-	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 year		-	-	(702)	(702)
At June 30, 2018		53,792	9,396	(55,927)	7,261
Shares issued for option exercised	13	71	(17)	-	54
Foreign currency translation gain		-	5	-	5
Private placement		405	-	-	405
Shares issued for services	13	168	(163)	-	5
Debentures converted to shares	13	168	(4)	-	164
Debentures Interest paid in shares	13	133	-	-	133
Share-based compensation	15	-	304	-	304
Warrants and conversion features issued with debentures	14	-	76	-	76
Loss for the year		-	-	(4,043)	(4,043)
At June 30, 2019		54,737	9,597	(59,970)	4,364

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".

IBC is the ultimate parent company of its subsidiary group. IBC's registered office is located at 595 Burrard Street, Suite 2600, Vancouver, BC V7X 0L3.

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 28, 2019.

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 consolidated 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 consolidated 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, 2019, the Company had not yet achieved consistently profitable operations, having incurred a loss of $4,043 during the year ended June 30, 2019 and, as of that date. The Company had accumulated losses of $59,970 since inception and was in breach of certain bank covenants as of June 30, 2019 related to its line of credit and term loan facility. On September 30, 2019 the Company received a waiver from the bank for breach of covenants and the bank did renew the line of credit and term loan facility until September 30, 2020 with certain modifications to the debt covenants, and otherwise substantially the same terms as the previous extension. 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. 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.

For the year ended June 30, 2019, the Company had a loss for the year, net of tax of $4,043 (2018 – $702), has a working capital deficit of $1,259 (2018 – surplus of $2,192), and has an accumulated deficit of $59,970 (2018 - $55,927). These material uncertainties lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent upon generating positive cash flows from operations, earning sufficient returns on its investments, and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

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.

3. New and amended IFRS standards that are effective for the current year

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 effective in the current fiscal year:

a) IFRS 9 - Financial Instruments

On July 1, 2018, the Company adopted, retrospectively without restatement, IFRS 9 - Financial Instruments ("IFRS 9") which replaced IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 provides a revised model for recognition and measurement of financial instruments with a single, forward-looking 'expected loss' impairment model and significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. There was no impact from IFRS 9 on the Company's classification and measurement of financial assets and liabilities.

Under IFRS 9, subsequent to initial recognition, financial assets are classified and measured at either: amortized cost, FVTOCI or at FVTPL. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

IFRS 9 introduced a single expected credit loss impairment model for financial assets measured at amortized cost and for debt instruments at FVTOCI, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

IFRS 9 changed the requirements for hedge effectiveness and consequently for the application of hedge accounting which did not impact the Company. As the Company does not apply hedge accounting, either under IAS 39 or IFRS 9, the adoption of IFRS 9 with regards to hedge accounting did not impact the Company or its accounting policies.

The Company's financial instrument policy in accordance with IFRS 9 is disclosed in Note 23(g).

b) IFRS 15 - Revenue Recognition

The Company adopted IFRS 15 which replaced IAS 11 - Construction Contracts; IAS 18 - Revenue, and other revenue interpretations.

IFRS 15 requires either a full retrospective application, whereby comparative information is restated in accordance with IFRS 15, or a modified retrospective application, whereby the cumulative impact of adoption is recognized in opening retained earnings, as of July 1, 2018, and comparative period balances are not restated. The Company elected to apply the modified retrospective approach, though the new standard had no cumulative impact as at July 1, 2018.

IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer, and introduces a revenue recognition model under which an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new framework did not result in a change in the way the Company recognizes or measures revenue. The Company's revenue recognition policy in accordance with IFRS 15 is disclosed in Note 23(d).

3. New and amended IFRS standards that are effective for the current year (continued)

New standards, interpretations and amendments not yet effective

a) 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 did not early adopt this standard. Adoption of IFRS 16 will result in the Company recording a right-of-use asset and a corresponding lease liability estimated at between $2 million and $3 million on its statement of financial position. Although the related interest and amortization expenses will not be the same as the monthly lease payments, the differences will not be material.

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 23).

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 the expected credit loss model. 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

4. Critical Accounting Estimates and Judgments (continued)

Income taxes (continued)

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 comprehensive loss in specific periods. More details including carrying values are included in note 8.

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 liability portion of 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 conversion features and/or 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.

Contingencies

Due to the complexity and nature of the Company's operations, various legal matters arise and are outstanding from time to time. The final outcome with respect to actions outstanding or pending as at June 30, 2019, or with respect to future claims, cannot be predict with certainty and is an area of significant management judgement. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements the date such changes occur.

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

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, 2019 from the year ended June 30, 2018.

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. Refer to note 2(i) for consideration of covenants.

6. Receivables

	June 30 2019 $	June 30 2018 $
Trade accounts receivable	3,266	2,907
Provision for impairment	(47)	(95)
Net trade accounts receivable	3,219	2,812
Other receivables	-	3
	3,219	2,815

At June 30, 2019, trade accounts receivable of $2,560 (June 30, 2018 - $2,241) held by Copper Alloys were pledged as collateral for bank loans (notes 9 and 11) and trade accounts receivable of $659 (June 30, 2018 - $574) held by EMC were pledged as collateral for notes payable (note 11). At June 30, 2019 and June 30, 2018, the Company made a full allowance for the collectability of receivables that extended beyond the agreed-upon payment terms with customers.

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

7. Inventories

	June 30, 2019			June 30, 2018		
	Cost	Valuation Provision	Net	Cost	Valuation Provision	Net
	$	$	$	$	$	$
Raw Materials	4,173	(1)	4,172	4,118	(3)	4,115
Work in process	1,467	-	1,467	1,322	-	1,322
Finished goods	569	-	569	506	(57)	449
	6,209	(1)	6,208	5,946	(60)	5,886

At June 30, 2019, the Company recognized a $1 valuation provision (June 30, 2018 - $60). At June 30, 2019, inventories of $3,547 (June 30, 2018 - $3,702) held by Copper Alloys were pledged as collateral for bank loans (notes 9 and 11) and inventories of $2,661 (June 30, 2018 - $2,183) held by EMC were pledged as collateral for notes payable (note 11). Low valuation provision is the direct result of the company's ability to return product into the manufacturing process. Material always retains its intrinsic value as the commodity and can be re-introduced into the process flow by re-melting or sold as a commodity.

During the year ended June 30, 2019, cost of sales included materials of $8,837 (June 30, 2018 - $7,236), and labor of $3,867 (June 30, 2018 - $3,420).

In 2018, 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 had 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 as of June 30, 2018. During the year ended June 30, 2019, the process was further implemented and proven successful allowing beryllium bearing alloys previously thought to be unusable, to be heated in a furnace permitting usable alloy to separate from contaminants. This material is included in raw material inventory in the amount of $1,329 as of June 30, 2019.

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

8. Property, Plant, and Equipment

	Land	Machinery and Equipment	Vehicles	Leasehold Improve-ments	Furniture and Fixtures	Total
	$	$	$	$	$	$
Cost						
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
Purchases	-	1,288	26	120	13	1,447
Disposals	-	(53)	-	-	-	(53)
At June 30, 2019	510	11,038	35	4,799	108	16,490
Accumulated depreciation and impairment						
At June 30, 2017	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
Depreciation expense	-	557	5	257	1	820
Disposals	-	(33)	-	-	-	(33)
At June 30, 2019	90	6,615	12	2,538	85	9,340
Net book value						
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, 2019	420	4,423	23	2,261	23	7,150

At June 30, 2019, the Company had pledged property, plant, and equipment held by Copper Alloys with a net book value of $3,482 (June 30, 2018 - $3,072) as collateral for bank loans (notes 9 and 11).

Presentation of the Company's depreciation expense is included in the following line items:

Year ended June 30	2019	2018
	$	$
Cost of revenue	799	774
Selling, general and administrative expenses	21	8
Total depreciation expense	820	782

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

9. Line of Credit

	June 30 2019 $	June 30 2018 $
Line of credit with BMO Harris Bank for the maximum of $3,000 (maximum $3,000 - June 30, 2018) at one-month LIBOR plus 4.75% (LIBOR plus 3.75% at June 30, 2018). The bank modified the line of credit resulting in certain modification in covenant and extending the maturity term to September 30, 2020. All other terms of the line of credit are substantially the same and collateralized by substantially all of Nonferrous', Freedom's, and EMC's assets.	2,846	2,360
	2,846	2,360

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 quarters ended December 31, 2018, March 31, 2019 and June 30, 2019, 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 September 20, 2019, BMO Harris Bank renewed the line of credit to September 30, 2020, modifying certain covenants and otherwise having substantially the same terms as the previous agreement.

10. Accounts Payable and Accrued Liabilities

	June 30 2019 $	June 30 2018 $
Trade accounts payable	3,427	2,606
Employee wages and payroll withholdings	211	190
Accrued liabilities	817	1,304
Lease inducement - current portion	71	71
Accounts payable and accrued liabilities	4,526	4,171
Arbitration award liability	1,395	1,395
Lease inducement - long-term	71	142

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, 2019, the remaining lease inducement was $142 (June 30, 2018 - $213).

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

11. Loan and Notes Payable, Related Parties

	June 30 2019 $	June 30 2018 $
Loan payable to BMO Harris Bank in monthly payments of $11 at the fixed rate of 6.5% per year to September 30, 2020, collateralized by substantially all the assets of Nonferrous and Freedom. Subsequent to the year-end, the term loan was extended to September 30, 2020.	936	1,008
Notes payable to related parties with monthly accrued interest at 10% per year, principal due February 4, 2020 and March 27, 2020; monthly accrued interest at 12% per year, principal due February 28, 2020 and March 13, 2020, secured by accounts receivable and inventory of EMC.	200	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]	1,816	1,521
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]	98	106
Convertible debt with monthly principal and interest payments of C$45 beginning in October 2019 and continuing through the maturity date of May 31, 2021. The effective interest rate is approximately 34%.[3]	439	-
	3,489	2,935
Financial statement presentation:		
Debentures:		
Gross proceeds and accrued interest from convertible and non-convertible debentures	3,555	3,048
Unamortized transaction costs and original issued discount (arising from warrants and conversion features) allocated proportionately to convertible and non-convertible debentures	(1,202)	(1,421)
Net debentures	2,353	1,627
Net debentures (Current)	577	-
Net debentures (Long-term)	1,776	1,627
Net debentures	2,353	1,627
Loans payable	936	1,008
Notes payable, related parties	200	300
Total debentures, loans and notes payable, related parties	3,489	2,935

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

[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 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 to holders of the debentures.

[3]The convertible debt may be converted into common shares at a conversion price of C$0.195 per common share at the option of the holder beginning October 2019. The Company may in its sole discretion, buy-back the outstanding amount of the convertible debt at any time. However, the debt holder retains the right to convert 33% of the funded amount outstanding plus all of the outstanding accrued interest into shares. Additionally, approximately 3,654 detached warrants were issued to the same holders of the convertible debt, exercisable at C$0.195 per common share on or before May 31, 2021. Based on the terms of the agreement with the holder of the convertible debt, the Company was required to raise minimum equity capital in the amount of C$455 in net proceed within 90 days after the close, this requirement has been waived by the holder.

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 quarters ended December 31, 2018, March 31, 2019 and June 30, 2019, 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.

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

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

A summary of debentures activity to June 30, 2019 is as follows:

	Total Debentures $
June 1, 2018	
Proceeds from issuance of debentures	3,024
Original issue discount	(971)
Transaction costs	(450)
Amortization of accreted interest	24
June 30, 2018	1,627
Proceeds from issuance of debentures	574
Original issue discount	(76)
Transaction costs	(59)
Conversion of debentures	(168)
Amortization of accreted interest	346
Accrued interest	239
Interest paid in cash	(3)
Interest paid in shares issued	(133)
Effect of foreign exchange rate	6
June 30, 2019	2,353

12. Income Taxes

The material components of the income tax expense for the years ended June 30, 2019 and 2018 are as follows:

Year ended June 30	2019 $	2018 $
Current tax (recovery) expense		
Current tax on profit for the year	(4)	11
Deferred tax expense	-	-
Total income tax (recovery) expense	(4)	11

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

12. Income Taxes (continued)

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	2019	2018
	$	$
Loss before income taxes	(4,047)	(691)
Tax recovery based on the statutory rate of 27% (2018 - 26%)	(1,093)	(180)
Non-deductible expenses	82	43
Different tax rates in other jurisdictions	58	(7)
Change in enacted rates	(128)	1,860
Change in current tax expense estimated for prior years	172	37
State income taxes and other	-	14
Changes in unrecognized deferred tax assets	905	(1,756)
Total income tax (recovery) expense	(4)	11

For the year ended June 30, 2019, the Canadian federal corporate tax rate and the British Columbia provincial tax rate are 15% and 12% respectively. The US federal tax rate remained at 21%.

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, 2019 and 2018 are summarized as follows:

	June 30 2018	Recognized in net income	Recognized in equity	June 30 2019
	$	$	$	$
Losses carried forward	8,028	1,044	-	9,072
Shares issue costs	40	(40)	-	-
Inventories and other	426	139	-	565
Legal expenses	364	-	-	364
	8,858	1,143	-	10,001
Offset against deferred tax liabilities	(1,242)	(239)	-	(1,481)
Unrecognized deferred tax asset	(7,616)	(904)	-	(8,520)
Deferred tax assets	-	-	-	-
Property, plant and equipment	(1,242)	(239)	-	(1,481)
Offset against deferred tax liabilities	1,242	239	-	1,481
Deferred tax liabilities	-	-	-	-
Net deferred tax balance	-	-	-	-

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

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)
Offset against deferred tax liabilities	1,980	(738)	-	1,242
Deferred tax liabilities	-	-	-	-
Net deferred tax balance	-	-	-	-

Tax Losses

As at June 30, 2019, the Company has accumulated non-capital losses of approximately C$17,241 (June 30, 2019 - C$16,129) 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 2039. The Company also has United States net-operating losses of approximately $19,068 (June 30, 2018 - $14,795) which expire up to 2039.

U.S. Tax Reform

On December 22, 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 December 31, 2017. The Tax Act provides for the acceleration of depreciation for certain assets placed in service after September 27, 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:

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

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, 2017	30,346,590	52,686
Private placement	3,828,525	1,119
Shares issue costs	-	(13)
June 30, 2018	34,175,115	53,792
Debentures converted to shares	687,091	168
Debentures interest paid in shares	665,135	133
Shares issue for services	641,036	168
Shares issued for option exercised	188,173	71
Private placement	2,477,080	405
June 30, 2019	38,833,630	54,737

13. Share Capital (continued)

Fiscal 2019

In August 2018, the Company issued 556,797 common shares for services to directors of the Company, 40,529 common shares for services to a consultant, 43,710 to a non-executive employee and 188,173 common shares for options exercised by a director of the Company.

In December 2018, the Company issued 665,135 common shares to debentures holders with an issue-date value of C$183 in satisfaction of the December 31, 2018 interest payment in lieu of cash.

In April 2019, the Company completed a non-brokered private placement, issuing 2,477,080 units at a price of C$0.22 per unit for gross proceeds of C$545,000. Each unit (a "Unit") will be comprised of one Common Share (a Unit Share") and one Common Share Purchase warrant (a "warrant"), each Warrant entitling the holder thereof to acquire one further Common Share (a "Warrant Share") at a price of C$0.28 per Warrant Share for a period of 36 months from the date of the closing of the private placement. Certain directors of the Company subscribed for an aggregate of 682,047 units in the private placement for gross proceeds of C$151,000.

In 2019, C$213,000 worth of debenture (issued on June 6, 2018) were converted to 687,091 shares at the fixed price of C$0.31 per share.

Fiscal 2018

Debentures

In June 2018, the Company issued 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 per unit. The Company 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.

13. Share Capital (continued)

Fiscal 2018 (continued)

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. The Company 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 consisted 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.

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 Company 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.

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

14. Reserves

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

	Warrants and convertible debentures	Share-based compensation reserve	Foreign currency translation reserve	Total
	$	$	$	$
At June 30, 2017	524	7,531	158	8,213
Foreign currency translation gain	-	-	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
Foreign currency translation gain	-	-	5	5
Shares issued for option exercise	-	(17)	-	(17)
Shares issued for services	-	(163)	-	(163)
Share-based compensation	-	304	-	304
Debentures converted to shares	(4)	-	-	(4)
Warrants and conversion features issued with debentures	76	-	-	76
At June 30, 2019	1,570	7,863	164	9,597

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

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 grant 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 2018 shareholders' meeting.

Option Grants

A summary of stock option activity to June 30, 2019 is as follows:

	Stock Options Outstanding	Weighted Average Exercise Price C$
At June 30, 2017	2,071,750	0.75
Expired	(209,500)	1.50
At June 30, 2018	1,862,250	0.67
Exercised	(188,173)	0.38
Expired	(69,250)	1.40
Forfeited	(253,500)	0.67
Granted	1,978,250	0.35
At June 30, 2019	3,329,577	0.48

During the year ended June 30, 2019 the Company recognized share-based compensation and share-based services of $330 (June 30, 2018 - $208).

The weighted average trading price on date of exercise for the stock options exercised during the year ended June 30, 2019 was C$0.35 (2018 – no exercises).

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

15. Share-Based Payments (continued)

At June 30, 2019, the Company had outstanding and exercisable stock options as follows:

	Outstanding Options			Exercisable Options	
Exercise Price C$	Number	Weighted Average Remaining Life	Weighted Average Exercise Price C$	Number	Weighted Average Exercise Price C$
0.31	1,080,750	4.07 years	0.31	270,188	0.31
0.38	718,827	1.90 years	0.38	718,827	0.38
0.40	762,500	2.97 years	0.40	190,625	0.40
0.77	598,500	1.99 years	0.77	448,875	0.77
1.20	84,500	1.16 years	1.20	84,500	1.20
1.50	84,500	0.55 years	1.50	84,500	1.50
	3,329,577	2.81 years	0.48	1,797,515	0.56

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

	2019
Annualized expected stock price volatility	128%
Risk-free interest rate	1.19%
Expected option lives	3.2 years
Weighted average exercise price	C$0.35
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.

The expected volatility is determined by reference to the historical volatility of the Company.

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

16. Warrants

	Financing Warrants		Broker Warrants	
	Warrants Outstanding	Weighted Average Exercise Price C$	Warrants Outstanding	Weighted Average Exercise Price C$
At June 30, 2017	20,126,670	0.50	907,000	0.38
Issued	11,295,959	0.38	1,086,253	0.37
June 30, 2018	31,422,629	0.46	1,993,253	0.37
Issued	6,130,926	0.23	-	-
June 30, 2019	37,553,555	0.35	1,993,253	0.37

At June 30, 2019, 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	
2,477,080	-	0.280	April 29, 2022	
3,653,846	-	0.195	May 20, 2021	

*These warrants expired without being exercised subsequent to year-end.

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.

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

17. Related Parties Transactions

Key management personnel compensation was:

Year ended June 30	2019	2018
	$	$
Short-term employee benefits and consulting fees	1,164	1,016
Share-based compensation and services	247	103
	1,411	1,119

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

As of June 30, 2019, $109 (June 30, 2018 - $310) is owing to directors and officers for services and $26 (June 30, 2018 - $11) is owing to officers for expenses paid on the Company's behalf.

As of June 30, 2019, $200 (June 30, 2018 - $300) is owing to a former director and former officer and individuals related to him for notes payable principal and interest (note 11). During the year ended June 30, 2019, the Company incurred interest expense of $30 (June 30, 2018 - $33) 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 1.7 years, with a certain lease having a renewal option. The future minimum rental payments under non-cancellable operating leases at June 30, 2019 are:

Year ending June 30	$
2020	573
2021	408
	981

The Company recognized lease expense of $427 for the year ended June 30, 2019 (June 30, 2018 - $489).

The Company is contractually committed to purchase, at June 30, 2019 prices, an aggregate of $1,843 (June 30, 2018 - $2,320) in raw materials. The estimated commitment in the fiscal period is as follows:

Year ending June 30	$
2020	1,843

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

19. Segment Reporting

As of June 30, 2019, the Company had three reportable segments: Copper Alloys, Engineered Materials and Corporate. As of June 30, 2019, 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, 2019				
Revenue from external customers	13,513	5,155	-	18,668
Depreciation and amortization	424	396	-	820
Share-based compensation and shared-based services	71	48	211	330
Operating loss	(921)	(1,108)	(1,053)	(3,082)
Foreign exchange loss	-	-	(49)	(49)
Interest expense	(310)	(30)	(585)	(925)
Loss on disposal of assets	(20)	-	-	(20)
Interest income	-	-	7	7
Other income	(6)	26	2	22
Loss before income taxes	(1,257)	(1,112)	(1,678)	(4,047)
Income tax expense	5	(6)	5	4
Purchase of property, plant and equipment	873	574	-	1,447

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

19. Segment Reporting (continued)

	Copper Alloys	Engineered Materials	Corporate	Total
	$	$	$	$
Year ended June 30, 2018				
Revenue from external customers	14,040	5,359	-	19,399
Depreciation and amortization	381	401	-	782
Share-based compensation and shared-based services	22	16	170	208
Operating loss	243	25	(637)	(369)
Foreign exchange loss	-	-	(52)	(52)
Interest expense	(229)	(33)	(24)	(286)
Interest income	-	-	2	2
Other income	1	13	-	14
Loss before income taxes	15	5	(711)	(691)
Income tax expense	(2)	(3)	(6)	(11)
Purchase of property, plant and equipment	46	183	-	229

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

19. Segment Reporting (continued)

Total assets employed by each division are:

	June 30 2019 $	June 30 2018 $
Copper Alloys	9,805	9,146
Engineered Materials	7,926	8,416
Corporate	83	2,733
	17,814	20,295

Total liabilities recognized by each division are:

	June 30 2019 $	June 30 2018 $
Copper Alloys	6,419	6,091
Engineered Materials	3,974	4,538
Corporate	3,057	2,405
	13,450	13,034

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

For the year ended	June 30 2019 $	June 30 2018 $
United States	13,605	12,136
All others	5,063	7,263
	18,668	19,399

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:

For the year ended	June 30, 2019		June 30, 2018	
	Amount $	%	Amount $	%
Customer A	3,697	19.8	-	-
Customer B	-	-	2,339	12.1
Customer C	-	-	3,519	18.1

	June 30 2019	June 30 2018
Property, plant and equipment	$	$
United States	7,150	6,543

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

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.

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, 2019 from the year ended June 30, 2018.

Fair Values

The Company does not hold any financial instruments at fair value subject to level 1, 2 or 3 fair value measurements. There were no changes in level 1, 2, or 3 financial instruments during the year ended June 30, 2019.

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.

As of June 30, 2019, with other variables unchanged, a 1% increase (decrease) in the Canadian dollar would increase (decrease) net earnings by approximately $32 (June 30, 2018 - $24).

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

Balances at June 30, 2019	$
Cash	20
Accounts payable and accrued liabilities	325
Debentures	4,323

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

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.

20. Financial Risk Management (continued)

As of June 30, 2019, 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 $28 (June 30, 2018 - $24).

Commodity Price Risk

The Company's profitability depends, in part, on the market prices of copper, aluminium 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.

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 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.

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

20. Financial Risk Management (continued)

June 30, 2019	Less than three months $	Three to 12 months $	One to five years $	Total $
Accrued payables and accrued liabilities	4,243	283	-	4,526
Line of credit	2,846	-	-	2,846
Notes payable, related parties	200	-	-	200
Loan payable	936	-	-	936
Arbitration award liability	-	-	1,395	1,395
Convertible debentures	-	535	3,779	4,314
Debentures	-	13	178	191
	8,225	831	5,352	14,408

June 30, 2018	Less than three months $	Three to 12 months $	One to five years $	Total $
Accrued payables and accrued liabilities	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	-	-	4,098	4,098
Debentures	-	-	205	205
	7,242	597	5,698	13,537

See notes 9 and 11 for contractual undiscounted cash flow requirements for the line of credit and loan payable as at June 30, 2019.

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 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 was under appeal. On March 27, 2019, the Company received notice of the Court affirming the September 8, 2017 arbitration award made in favor of Gerald R. Hoolahan. IBC has filed an appeal of the District Court’s decision.

20. Financial Risk Management (continued)

Legal Matters (continued)

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 U.S. 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 has joined a defense group of other PRPs. 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 Company is evaluating its options regarding notifying its insurers of potentially increased liability should the EPA and/or Chemetco PRP Group contribution lawsuit attempt to name Company's subsidiary as a Defendant. Specialloy Metals Company was allocated with over 4 million pounds of material shipped to the Chemetco site, or more than ten times the amount allocated to Nonferrous. Should the EPA and/or PRP Group contribution lawsuit pursue alter ego theories and allege the Company's subsidiary Company, then IBC potentially faces significantly more liability requiring further defensive action.

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 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 claim was dismissed in September 2015 but was reinstated on the plaintiffs' appeal in June 2016. A trial date was set in the matter for April 2019; however, prior to the trial date all parties filed Motions for Summary Judgment, which were heard by the Court on February 6, 2019. The Court entered its ruling on Summary Judgment on February 7, 2019, and Freedom Alloys Inc.'s motion for summary judgment was granted. Plaintiffs had until June 17, 2019 to appeal the grant of Summary Judgment in favor of Freedom. On September 12, 2019, the Court entered a final judgment in favor of Freedom Alloys and ordered plaintiffs to pay legal costs incurred by Freedom Alloys in the matter.

On March 7, 2016, Maxum Indemnity Company filed a Complaint for Declaratory Judgment against Freedom Alloys in the U.S. 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 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. The Court issued a ruling granting Defendants' Summary Judgment Motion on the survival claims. At this point, the remaining claims are the wrongful death claims of decedent's heirs for which defense counsel has asked Plaintiff counsel to voluntarily dismiss Freedom Alloys from the case, emphasizing that Plaintiffs have not produced any evidence that Freedom supplied any beryllium that came into contact with the decedent.

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 and debenture issued on May 21, 2019 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 (June 6, 2018 – 17.5% to 20.5%, May 21, 2019 – 32.5% to 35.5%) for the Company of a non-convertible debenture issued without warrants.

21. Loss Per Share

Year ended June 30	2019	2018
Loss for the year ($000)	(4,043)	(702)
Weighted average number of common shares outstanding	36,227,834	34,049,246
Loss per share, basic and diluted ($ per share)	(0.11)	(0.02)

Diluted loss per share for the periods ended June 30, 2019 and 2018 is the same as basic loss per share as the exercise of the 1,797,515 share options (June 30, 2018 – 1,862,250) and 39,546,808 warrants (June 30, 2018 – 33,415,882) would be anti-dilutive.

22. Events after the reporting date

In July 2019, the Company issued 304,671 common shares for services to directors of the Company, 101,557 common shares for services to a consultant, 185,000 common shares for broker warrants exercised by a director of the Company, 737,059 common shares to settle accrued interest on debenture, and issued 16,129 common shares for debentures that were converted.

23. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods 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, 2019. 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 IFRS 9, 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

23. Significant Accounting Policies (continued)

a) Basis of consolidation (continued)

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

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.

23. Significant Accounting Policies (continued)

a) Basis of consolidation (continued)

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.
- 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.

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

<u>Policy applicable from July 1, 2018</u>

IFRS 15 – Revenue from contracts with customers requires companies to follow a five-step model to determine if revenue should be recognized. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

Application of this guidance depends on facts and circumstances present in a contract with a customer and requires the exercise of judgment.

Sale of goods
Revenue associated with the sale of goods is recognized when control of the asset sold is transferred to the customer. Indicators of control transferring include an unconditional obligation to pay, legal title, physical possession, transfer of risk and rewards and customer acceptance. This generally occurs when the goods are delivered to a loading port, warehouse, vessel or metal account as contractually agreed with the buyer; at which point the buyer controls the goods. In cases where the Company is responsible for the cost of shipping and certain other services after the date on which control of the goods transfers to the customer, these other services are considered separate performance obligations and thus a portion of revenue earned under the contract is allocated and recognized as these performance obligations are satisfied.

23. Significant Accounting Policies (continued)

e) Revenue recognition (continued)

Interest income
For all financial instruments measured at amortized cost and interest bearing financial assets classified as FVTPL, 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.

f) Property, plant and equipment

Recognition and measurement

On initial recognition, property, plant and equipment is 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.

23. Significant Accounting Policies (continued)

f) Property, plant and equipment (continued)

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	5-35
Vehicles	5-10
Leasehold improvements	Over lease period
Furniture and fixtures	5-15

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

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

Policy applicable from July 1, 2018:

Measurement – initial recognition
Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at FVTPL. Transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

Classification of financial assets
Amortized cost:
Financial assets that meet the following conditions are measured subsequently at amortized cost:
(i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method. Interest income is recognized in Investment (loss) income in the Consolidated Statements of Loss.

The Company's financial assets at amortized cost primarily include cash, and receivables in the Consolidated Statement of Financial Position.

FVTPL:
By default, all other financial assets are measured subsequently at FVTPL. The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The Company's financial assets at FVTPL include its short-term investments, and derivative assets not designated as hedging instruments.

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

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:

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

23. Significant Accounting Policies (continued)

h) Financial instruments (continued)

Financial liabilities (continued)

- 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

Derivatives

When the Company enters into derivative contracts, these transactions are designed to reduce exposures related to assets and liabilities, firm commitments or anticipated transactions. The Company does not have derivative instruments that qualify as cash flow hedges and consequently all derivatives are recorded at fair value with changes in fair value recognized in net earnings.

The following table summarizes the classification and measurement of the Company's financial assets prior to July 1, 2018 in accordance with IAS 39, compared to the new classification as of July 1, 2018, in accordance with IFRS 9:

Financial Asset and Liabilities	**IAS 39 Classification / Measurement**	**IFRS 9 Classification and Measurement**	June 30 2019 $	June 30 2018 $
Cash and cash equivalents	Loans and receivables / Amortized cost	Amortized cost	720	4,527
Receivables	Loans and receivables / Amortized cost, recorded at amortized cost	Amortized cost	3,219	2,815
Lines of credit	Amortized cost	Amortized cost	2,846	2,360
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	4,526	4,171
Loans and notes payable	Amortized cost	Amortized cost	1,136	1,308
Arbitration award liability	Amortized cost	Amortized cost	1,395	1,395
Convertible debentures	Amortized cost	Amortized cost	2,255	1,521
Debentures	Amortized cost	Amortized cost	98	106

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.

l) Compound financial instruments

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)

m) 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.

n) 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.