



IBC Advanced Alloys

IBC ADVANCED ALLOYS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in United States Dollars

March 31, 2021



**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements of IBC Advanced Alloys Corp. for the nine months ended March 31, 2021 have been prepared by the management of the Company and approved by the Company's audit committee.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of the condensed consolidated interim financial statements by an entity's auditor.

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

	Note	March 31 2021 \$	June 30 2020 \$
ASSETS			
Current assets			
Cash		2,291	509
Receivables, net	6	3,068	3,031
Inventories, net	7	6,902	6,639
Prepaid expenses and deposits		415	187
Total current assets		12,676	10,366
Non-current assets			
Deposits		318	318
Property, plant, and equipment	8	9,969	8,597
Other assets		1	1
Total non-current assets		10,288	8,916
Total assets		22,964	19,282
LIABILITIES			
Current liabilities			
Line of credit	9	3,163	3,351
Accounts payable and accrued liabilities	10, 20	2,966	2,972
Notes payable, related parties	11, 20	-	110
Leases payable	12	808	472
Note payable	11	5	11
Unearned revenue		2,354	57
Loans payable	11	812	869
Arbitration award liability	10, 20	1,470	1,395
Debentures, current portion	11	583	277
Total current liabilities		12,161	9,514
Non-current liabilities			
Loan payable	11	150	150
Leases payable	12	2,934	1,867
Debentures	11	2,808	1,973
Total non-current liabilities		5,892	3,990
Total liabilities		18,053	13,504
EQUITY			
Share capital	13	57,828	57,515
Reserves	14	9,294	9,355
Accumulated deficit		(62,211)	(61,092)
Total equity		4,911	5,778
Total liabilities and equity		22,964	19,282
Going concern of operations	2		
Commitment and contingencies	18		
Subsequent events	22		

On behalf of the board of directors:

<u>"Simon Anderson"</u>	Director	<u>"Mark Smith"</u>	Director
Simon Anderson		Mark Smith	

See accompanying notes.

IBC ADVANCED ALLOYS CORP.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

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

Three months ended September 30	Note	Three months ended March 31		Nine months ended March 31	
		2021	2020	2021	2020
		\$	\$	\$	\$
Revenue	19	5,412	5,818	14,767	16,092
Cost of revenue	7, 8	3,762	4,659	11,718	13,623
Gross profit		1,650	1,159	3,049	2,469
Selling, general, and administrative expenses					
Consulting fees		31	77	125	156
Depreciation	8	39	30	92	127
Director fees, cash portion	17	14	15	39	40
Doubtful debts recovery		-	(4)	-	39
Investor relations		-	-	-	5
Office and miscellaneous		299	241	903	697
Professional fees		91	103	162	290
Public company costs		43	40	103	162
Rent		3	18	4	(8)
Salaries, wages, and management fees	17	574	463	1,606	1,376
Share-based compensation and services	15	57	33	224	107
Travel, meals and entertainment		22	9	32	115
		1,173	1,025	3,290	3,106
Income (loss) before other items		477	134	(241)	(637)
Other income (expense)					
Foreign exchange		-	288	24	288
Interest & accretion expense	9, 11, 12, 17	(353)	(251)	(924)	(805)
Gain on disposal of assets		-	(5)	3	(5)
Other income	11	15	5	39	17
Income (loss) before income taxes		139	171	(1,099)	(1,142)
Income tax recovery (expense)					
Current		-	-	(20)	(7)
		-	-	(20)	(7)
Income (loss) for the period, net of tax		139	171	(1,119)	(1,149)
Other comprehensive loss, net of tax					
Foreign currency translation		-	-	-	-
Total comprehensive income (loss)		139	171	(1,119)	(1,149)
Basic and diluted income (loss) per common share	21	0.00	0.00	(0.02)	(0.02)
Weighted average number of common shares outstanding	21	64,098,288	61,160,407	63,152,431	47,931,539
Weighted average number of common shares outstanding - diluted	21	77,468,209	65,379,167	72,942,066	48,588,955

See accompanying notes.

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

Nine months ended March 31	2021	2020
	\$	\$
Cash flows used in operating activities		
Loss for the period, net of tax	(1,119)	(1,149)
Adjustments for:		
Share-based compensation and services	224	107
Gain on disposal of assets	(3)	5
Doubtful debts	-	39
Depreciation	789	1,136
Sales returns and allowances expenses (recovery)	(12)	-
Foreign exchange expense	(24)	-
Interest expense	924	805
Lease inducement	-	(75)
Changes in non-cash working capital items:		
Receivables	(37)	(212)
Inventories	(281)	(203)
Prepaid expenses and deposits	(228)	(338)
Accounts payable and accrued liabilities	96	(673)
Unearned revenue	2,297	(798)
Net cash used in operating activities	2,626	(1,356)
Cash flows from financing activities		
Net line of credit advances	(188)	117
Interest paid	(308)	(328)
Notes payable, related parties repayments	(110)	-
Loan repayments	(57)	(43)
Loan proceeds	929	-
Leases principal repayments	(425)	(384)
Leases proceeds		
Debentures principal repayments	(278)	(160)
Debentures financing costs	(71)	-
Options exercised	-	234
Warrants exercised	-	65
Private placement proceeds	-	1,720
Share issue costs	-	(105)
Net cash provided by financing activities	(508)	1,116
Cash flows used in investing activities		
Purchase of property, plant, and equipment	(361)	(104)
Net cash used in investing activities	(361)	(104)
Foreign exchange effect on cash	25	(288)
Change in cash during the period	1,782	(632)
Cash, beginning of period	509	720
Cash, end of period	2,291	88
Supplemental Cash Flow Information:		
Interest payments, net of amounts capitalized	(308)	(328)
Income tax payments (refunds)	(20)	(7)
Non-cash items:		
Issuances of common shares in lieu of services paid in cash	73	83
Issuances of common shares upon debentures converted to shares	123	42
Issuances of common shares in lieu of interest paid in cash	117	167

See accompanying notes.

IBC ADVANCED ALLOYS CORP.
Condensed Consolidated Interim Statements of Changes in Equity
(US dollars in thousands)
For the Nine Months Ended March 31, 2021

	Note	Share Capital \$	Reserves \$	Accumulated Deficit \$	Equity \$
At June 30, 2019		54,737	9,597	(59,970)	4,364
Shares issued for option exercised		234	-	-	234
Private placement	13	1,720	-	-	1,720
Shares issued for warrants exercised	13	65	65	-	130
Share issue costs	13	(105)	-	-	(105)
Shares issued for services	13	83	(62)	-	21
Debentures converted to shares	11, 13, 14	42	(26)	-	16
Debentures interest paid in shares	11, 13	167	-	-	167
Share-based compensation	13, 14	-	107	-	107
Return to treasury	13, 14	(7)	-	-	(7)
Loss for the period		-	-	(1,149)	(1,149)
At March 31, 2020		56,936	9,681	(61,119)	5,498
At June 30, 2020		57,515	9,355	(61,092)	5,778
Foreign currency translation adjustment		-	(324)	-	(324)
Shares issued for services	11, 13, 14	73	(61)	-	12
Debentures converted to shares	11, 14	38	(7)	-	31
Debentures interest paid in shares	11, 13	117	-	-	117
Lind principal and interest paid in shares	11, 13	85	-	-	85
Share-based compensation	13, 14	-	179	-	179
Warrants and conversion features issued with debentures	14	-	152	-	152
Loss for the period		-	-	(1,119)	(1,119)
At March 31, 2021		57,828	9,294	(62,211)	4,911

See accompanying notes.

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Nine Months Ended March 31, 2021

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 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 condensed consolidated interim financial statements of the Company for the nine months ended March 31, 2020 have been prepared in accordance with *International Accounting Standard 34 - Interim Financial Reporting* ("IAS 34") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), on a basis consistent with the significant accounting policies disclosed in note 3 of the most recent annual financial statements as at and for the year ended June 30, 2020 as filed on SEDAR at www.sedar.com. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the board of directors on May 13, 2021.

The financial statements are presented in United States dollars, which is the functional currency of the Company.

b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value. The condensed consolidated interim financial statements are presented in United States dollars and all financial amounts, other than per-share amounts, are rounded to the nearest thousand dollars. The functional currency of the parent company is the Canadian dollar, and the functional currency of the subsidiary companies is the United States dollar.

The preparation of condensed consolidated interim 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.

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Nine Months Ended March 31, 2021

2. Basis of Presentation (continued)

c) Going concern of operations

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

As of March 31, 2021, the Company had not yet achieved consistently profitable operations. The Company was in breach of certain bank covenants related to its line of credit and term loan facility. For the quarters ended March 31, 2019 and March 31, 2020, the Company breached the minimum EBITDA ratios, and received a waiver on May 20, 2020. For the quarter ended June 30, 2020, the Company breached the minimum EBITDA ratio and received a waiver on September 30, 2020. On September 30, 2020, the bank renewed the line of credit and term loan facility until September 30, 2021 with certain modifications to the debt covenants, and otherwise substantially the same terms as the previous extension. The Company was in breach of the minimum debt service coverage ratio for the year-to-date periods ended September 30, 2020 and December 31, 2020 and March 31, 2021. 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 nine months ended March 31, 2021, the Company had a loss for the period of \$1,119 (2019 – \$1,149), has working capital of \$515 (June 30, 2020 – deficit of \$852), and has an accumulated deficit of \$62,211 (June 30, 2020 - \$61,092). 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.

In March 2020, the United States was initially affected by an outbreak of a novel coronavirus identified as "covid-19". The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. To date, the main impact of the pandemic has been to delays in receiving and shipping goods, absences from work and slower than normal collection of accounts receivable. The pandemic may have a negative impact on the Company's ability to raise new capital, should it need to do so. The Company cannot predict the duration of the pandemic or the magnitude of the adverse results, however the Company expects the pandemic to adversely affect its business at least through the balance of calendar 2021.

These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the consolidated financial statements.

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.

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Nine Months Ended March 31, 2021

2. Basis of Presentation (continued)

d) Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of IBC and its subsidiaries on March 31, 2021. 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 condensed consolidated interim 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

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.

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Nine Months Ended March 31, 2021

2. Basis of Presentation (continued)

d) Basis of consolidation (continued)

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

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interest.
- Derecognizes the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Nine Months Ended March 31, 2021

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. No pronouncements are relevant to these condensed consolidated interim financial statements.

New standards, interpretations and amendments not yet effective

There are no 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 financial year are discussed in note 23 of the June 30, 2020 audited Consolidated Financial Statements.

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

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Nine Months Ended March 31, 2021

4. Critical Accounting Estimates and Judgments (continued)

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 Company's return policy allows for return of any unsatisfactory product. The inventory return accrual and reserve are determined based on an analysis of the historical rate of returns, which is applied directly against cost of sales.

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 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 on March 31, 2021, or with respect to future claims, cannot be predicted 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 (note 18).

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

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

For the Nine Months Ended March 31, 2021

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 nine months ended March 31, 2021 from the year ended June 30, 2020.

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(c) for consideration of covenants.

6. Receivables, net

	March 31 2021	June 30 2020
	\$	\$
Trade accounts receivable	3,068	3,031
Provision for impairment	-	-
Net trade accounts receivable	3,068	3,031

At March 31, 2021, trade accounts receivable of \$2,596 (June 30, 2020 - \$2,436) held by Copper Alloys were pledged as collateral for bank loans (notes 9 and 11) and trade accounts receivable of \$472 (June 30, 2020 - \$595) held by EMC were pledged as collateral for notes payable (note 11). On March 31, 2021 and June 30, 2020, the Company has made no provision for impairment of its trade accounts receivable in accordance with IFRS 9, its expected loss from credit losses is Nil. The Company has made a provision for its expected loss resulting from sales returns and allowances according to IFRS 15 (note 10).

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

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

For the Nine Months Ended March 31, 2021

7. Inventories, net

	March 31, 2021			June 30, 2020		
	Cost	Valuation Provision	Net	Cost	Valuation Provision	Net
	\$	\$	\$	\$	\$	\$
Raw materials	4,859	(1)	4,858	4,998	(1)	4,997
Work in process	1,416	-	1,416	1,021	-	1,021
Finished goods	628	-	628	621	-	621
	6,903	(1)	6,902	6,640	(1)	6,639

At March 31, 2021, the Company recognized a \$1 valuation provision (June 30, 2020 - \$1). At March 31, 2021, inventories of \$3,642 (June 30, 2020 - \$4,084) held by Copper Alloys were pledged as collateral for bank loans (notes 9 and 11) and inventories of \$3,260 (June 30, 2020 - \$2,555) held by EMC were pledged as collateral for notes payable (note 11). The 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 three months ended March 31, 2021, cost of sales included materials of \$2,407 (2020 - \$2,567) and labor of \$1,027 (2020 - \$911). Also, during the nine months ended March 31, 2021, cost of sales included materials of \$6,493 (2020 - \$7,123) and labor of \$2,887 (2020 - \$2,670).

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 estimated value of material recovered from waste included in raw material inventory was \$1,836 as of March 31, 2021 (June 30, 2020 - \$1,667).

During the nine months ended March 31, 2021 1,300 pounds of the revert material included in raw material has been processed through the Spal recovery process producing 374 pounds of converted material that has been used in production of finished goods sold to customers. The Company continues refining the Spal recovery process evaluating labor and equipment efficiencies.

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

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

For the Nine Months Ended March 31, 2021

8. Property, Plant, and Equipment

	Land	Right of Use Asset	Machinery and Equipment	Vehicles	Leasehold Improve- ments	Furniture and Fixtures	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
At June 30, 2019	510	-	11,038	35	4,799	108	16,490
Recognition of right of use asset upon initial adoption of IFRS 16	-	2,497	-	-	(709)	-	1,788
Additions	-	160	253	-	3	14	430
Disposals	-	-	(36)	-	-	-	(36)
At June 30, 2020	510	2,657	11,255	35	4,093	122	18,672
Additions	-	1,799	127	-	189	45	2,160
Disposals	-	(548)	(27)	-	-	-	(575)
At March 31, 2021	510	3,908	11,355	35	4,282	167	20,257
Accumulated depreciation and impairment							
At June 30, 2019	90	-	6,615	12	2,538	85	9,340
Adjustment of accumulated depreciation upon initial adoption of IFRS 16	-	-	-	-	(540)	-	(540)
Depreciation expense	-	478	649	6	162	6	1,301
Disposals	-	-	(26)	-	-	-	(26)
At June 30, 2020	90	478	7,238	18	2,160	91	10,075
Depreciation expense	-	421	269	4	90	5	789
Disposals	-	(548)	(27)	-	-	-	(575)
At March 31, 2021	90	351	7,480	22	2,250	96	10,288
Net book value							
At June 30, 2019	420	-	4,423	23	2,261	23	7,150
At June 30, 2020	420	2,179	4,017	17	1,933	31	8,597
At March 31, 2021	420	3,557	3,876	13	2,032	71	9,969

On March 31, 2021, the Company pledged property, plant, and equipment held by Copper Alloys with a net book value of \$3,626 (June 30, 2020 - \$3,533) and by Engineered Materials with a net book value of \$6,343 (June 30, 2020 - \$5,064) as collateral for bank loans (notes 9 and 11).

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

	Three months ended March 31		Nine months ended March 31	
Three months ended September 30	2021	2020	2021	2020
	\$	\$	\$	\$
Cost of revenue	97	340	697	1,009
Selling, general and administrative expenses	39	30	92	127
Total depreciation expense	136	370	789	1,136

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

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

For the Nine Months Ended March 31, 2021

9. Line of Credit

	March 31 2021	June 30 2020
	\$	\$
Line of credit with BMO Harris Bank for the maximum of \$3,500 at Prime plus 2.25% with a minimum interest rate of 5% is collateralized by substantially all of Nonferrous', Freedom's, and EMC's assets.	3,163	3,351
	<u>3,163</u>	<u>3,351</u>

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 the Company to maintain minimum tangible net worth, minimum debt service coverage, maximum liabilities to tangible net worth ratios and minimum EBITDA ratios. In addition, there are limitations on dividends and capital withdrawals. For the quarter ended June 30, 2020 the Company breached the minimum EBITDA ratio and received a waiver on September 30, 2020. On September 30, 2020 the bank renewed the line of credit and term loan facility until September 30, 2021 with certain modifications to the debt covenants, and otherwise substantially the same terms as the previous extension. The Company was in breach of the minimum debt service coverage ratio for the year-to-date periods ended September 30, 2020 and December 31, 2020 and March 31, 2021.

In January 2021, BMO Harris Bank moved the line of credit from Nonferrous Industries, Inc. to IBC US. Substantially all other terms of the Line of Credit facility remain the same.

10. Accounts Payable and Accrued Liabilities

	March 31 2021	June 30 2020
	\$	\$
Trade accounts payable	1,675	1,494
Employee wages and payroll withholdings	388	117
Accrued liabilities	684	1,113
Sales returns and allowances	219	248
Accounts payable and accrued liabilities	<u>2,966</u>	<u>2,972</u>
Arbitration award liability	1,470	1,395

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

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

For the Nine Months Ended March 31, 2021

11. Debentures, loans and notes payable

	March 31 2021 \$	June 30 2020 \$
Loan payable to BMO Harris Bank in monthly payments of \$11 at the fixed rate of 6.5% per year to September 30, 2021, collateralized by substantially all the assets of Nonferrous and Freedom.	812	869
Notes payable to related parties with monthly accrued interest at 10% per year, principal due August 4, 2020 and September 27, 2020; monthly accrued interest at 12% per year, principal due August 28, 2020 and September 13, 2020, secured by accounts receivable and inventory of EMC.	-	110
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	2,324	1,875
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	119	98
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	60	277
Convertible debt with monthly principal and interest payments of C\$84 beginning in March 2021 and continuing through the maturity date of November 25, 2022. The effective interest rate is approximately 34%. ⁵	888	-
Paycheck protection program term note payable to PNC Bank dated May 4, 2020 with monthly accrued interest at 1% per year, 6 month deferral period with the first payment due on December 15, 2020, maturity date of May 4, 2022 ⁴	-	11
Economic injury disaster loan - loan payable to SBA dated May 24, 2020, monthly accrued interest at 3.75% per year, 12 month deferral period, first payment due 1 year from the date of this note, maturity date of May 24, 2050 collateralized by substantially all the assets of IBC US holdings	155	150
	4,358	3,390
Financial statement presentation:		
Debentures:		
Gross proceeds and accrued interest from convertible and non-convertible debentures & Lind Financing	4,121	3,032
Unamortized transaction costs and original issued discount (arising from warrants and conversion features) allocated proportionately to convertible and non-convertible debentures	(730)	(782)
Net debentures	3,391	2,250
Net debentures (current)	583	277
Net debentures (long-term)	2,808	1,973
Net debentures	3,391	2,250
Loans payable	812	869
Notes payable, related parties	-	110
Loan payable, coronavirus aid, relief, and economic security act (CARES Act)	155	161
Total debentures, loans and notes payable	4,358	3,390

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Nine Months Ended March 31, 2021

11. Debentures, loans and notes payable (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. 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.
- ⁴ The Paycheck protection program (PPP) term note payable to PNC Bank with original proceeds of \$777, On March 5, 2021 all was forgiven as all of the proceeds were used for the intended purpose according to the CARES act within eight weeks of the receipt of the PPP term note proceeds. The \$767 forgiveness of the debt is recognized in other income in the year ended June 30, 2020.
- ⁵ 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 April 2021. 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 9,172 detached warrants were issued to the same holders of the convertible debt, exercisable at C\$0.195 per common share on or before November 25, 2022.

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

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. For the quarter ended June 30, 2020 the Company breached the minimum EBITDA ratio and received a waiver on September 30, 2020. On September 30, 2020 the bank renewed the line of credit and term loan facility until September 30, 2021 with certain modifications to the debt covenants, and otherwise substantially the same terms as the previous extension.

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

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

For the Nine Months Ended March 31, 2021

11. Debentures, loans and notes payable (continued)

A summary of debentures activity to March 31, 2021 and 2020 is as follows:

	Convertible Debentures \$	Non- Convertible \$	1st Lind Financing \$	2nd Lind Financing \$	Total Debentures \$
June 30, 2019	1,816	98	439	-	2,353
Conversion of debentures	(47)	-	-	-	(47)
Amortization of accreted interest	311	13	102	-	426
Accrued interest	217	13	56	-	286
Principal paid in cash	-	-	(244)	-	(244)
Interest paid in cash	-	-	(57)	-	(57)
Interest paid in shares issued	(321)	(20)	-	-	(341)
Effect of foreign exchange rate	(101)	(6)	(19)	-	(126)
June 30, 2020	1,875	98	277	-	2,250
Proceeds from issuance of debentures	-	-	-	1,100	1,100
Original issue discount	-	-	-	(165)	(165)
Transaction costs	-	-	-	(71)	(71)
Conversion of debentures	(19)	-	-	-	(19)
Amortization of accreted interest	193	9	36	44	282
Accrued interest	169	10	43	46	268
Principal paid in cash	-	-	(279)	-	(279)
Interest paid in cash	-	-	(42)	-	(42)
Interest paid in shares issued	(111)	(8)	-	(27)	(146)
Effect of foreign exchange rate	217	10	25	13	265
Principal paid in shares issued	-	-	-	(52)	(52)
March 31, 2021	2,324	119	60	888	3,391

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

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

For the Nine Months Ended March 31, 2021

12. Leases payable

The Company leases office and factory space and has one other lease which is considered a low value lease and as such is included in the statement of comprehensive loss and not the statement of financial position. Interest expense on the lease liabilities amounted to \$110 for the nine months ended March 31, 2021. The Company did not incur any variable lease payments and there were not leases with residual value guarantees or leases not yet commenced to which the Company has committed. The expense relating to the low value lease amounted to \$1.

	June 30, 2020	Principal payments in the period	Reclassification from long term to short term	Leases extended or entered into in the period	March 31, 2021
	\$	\$	\$	\$	\$
Leases payable	2,339	(425)	-	1,828	3,742
Less: current portion	(472)	425	(443)	(318)	(808)
Long-term portion	1,867	-	(443)	1,510	2,934

	June 30, 2020	Lease payments paid in the period	Reclassification from long term to short term	Leases extended or entered into in the period	March 31, 2021
	\$	\$	\$	\$	\$
Undiscounted lease payments	600	(506)	501	368	963
Not later than 1 year	2,127	-	(501)	1,720	3,346
Later than 1 year and not later than 5 years	2,727	(506)	-	2,088	4,309

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

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

For the Nine Months Ended March 31, 2021

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 Common Shares	Common Shares \$
June 30, 2019	38,833,630	54,737
Shares for services	406,228	84
Shares issued for options exercised	818,827	234
Fair value of options exercised	-	327
Shares issued for warrants exercised	463,648	137
Return to treasury	(36,013)	(7)
Debentures interest paid in shares	2,529,879	341
Debentures converted to shares	193,548	47
Private placement	19,198,550	1,720
Shares issue costs	-	(105)
June 30, 2020	62,408,297	57,515
Shares for services	825,979	73
Debentures interest paid in shares	775,704	117
Debentures converted to shares	80,645	38
Lind principal and interest paid in shares	689,655	85
March 31, 2021	64,780,280	57,828

Fiscal 2021

In August 2020, 80,645 shares were issued upon the conversion of C\$25,000 of the 8.25% convertible debentures to common stock.

In November 2020, the Company issued 813,615 common shares for services to directors of the Company and 12,364 common shares for services to a consultant.

In December 2020, 775,704 common shares were issued to debenture holders with an issue-date value of C\$154 in satisfaction of the December 31, 2020 interest payment in lieu of cash.

In March 2021, 689,655 common shares were issued to Lind Global Macro Fund with an issue-date value of C\$100 in satisfaction of the March 31, 2021 and a partial payment of the April 30, 2021 principal and interest obligations due per the second Lind Funding.

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Nine Months Ended March 31, 2021

13. Share Capital (continued)

Fiscal 2020

In July 2019, the Company issued 737,059 common shares to debentures holders with an issue-date value of C\$161 in satisfaction of the June 30, 2019 interest payment in lieu of cash.

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, and 185,000 common shares for options exercised by a director of the Company.

In July 2019, 16,129 shares were issued upon the conversion of C\$5,000 of the 8.25% convertible debentures to common stock.

In October 2019, 36,013 shares and 230,000 warrants were returned to treasury upon the cancellation of C\$100,000 8.25% convertible debentures.

On November 25, 2019, the Company announced a non-brokered private placement to issue up to 17.1 million common shares at a price of C\$0.117 per common share for gross proceeds of up to C\$2.0 million. There is no minimum offering amount. This private placement was closed on December 13, 2019 at which time a second non-brokered private placement was announced for an additional 2.1 million common shares at a price of C\$0.135 per common share for gross proceeds of up to C\$284,000. The second private placement closed on December 23, 2019.

In December 2019, 17,094,010 and 2,104,540 shares were issued respectively with the closure of the first tranche and second tranche of the non-brokered private placements closed in December 2019.

In December 2019, 873,023 common shares were issued to debenture holders with an issue-date value of C\$157,000 in satisfaction of the March 31, 2019 interest payment in lieu of cash.

In December 2019, 633,827 shares were issued upon the exercise of options and 169,408 shares upon the exercise of financing warrants.

In January 2020, 161,290 shares were issued upon the conversion of C\$100,000 of the 8.25% convertible debentures to common stock.

In June 2020, 16,129 shares were issued upon the conversion of C\$5,000 of the 8.25% convertible debentures to common stock.

In June 2020, 227,275 shares were issued upon the exercise of broker warrants and 66,965 shares were issued upon the exercise of financing warrants.

In June 2020, 919,797 common shares were issued to debenture holders with an issue-date value of C\$153,000 in satisfaction of the June 30, 2020 interest payment in lieu of cash.

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

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

For the Nine Months Ended March 31, 2021

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, 2019	1,570	7,863	164	9,597
Foreign currency translation gain	-	-	147	147
Fair value of options exercised	-	(327)	-	(327)
Shares issued for services	-	(86)	-	(86)
Share-based compensation	-	51	-	51
Debentures converted to shares	(27)	-	-	(27)
June 30, 2020	1,543	7,501	311	9,355
Foreign currency translation gain			(324)	(324)
Shares issued for services	-	(61)	-	(61)
Share-based compensation	-	179	-	179
Debentures converted to shares	(7)			(7)
Warrants and conversion features issued with debentures	152	-	-	152
March 31, 2021	1,688	7,619	(13)	9,294

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 2020 shareholders' meeting.

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

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

For the Nine Months Ended March 31, 2021

15. Share-Based Payments (continued)*Option Grants*

A summary of stock option activity to March 31, 2021 is as follows:

	Stock Options Outstanding	Weighted Average Exercise Price C\$
At June 30, 2019	3,329,577	0.48
Exercised	(818,827)	0.37
Expired	(84,500)	1.50
Forfeited	(578,000)	0.49
Granted	40,000	0.16
At June 30, 2020	1,888,250	0.48
Expired	(32,500)	1.20
Forfeited	(335,000)	0.50
Granted	3,520,000	0.16
At March 31, 2021	5,040,750	0.25

The Company recognized share-based compensation and share-based services as follows:

	Three months ended		Nine months ended	
	March 31 2021	March 31 2020	March 31 2021	March 31 2020
	\$	\$	\$	\$
Share-based compensation	34	12	156	40
Share-based services	23	21	68	67
	57	33	224	107

During the nine months ended March 31, 2021, no options have been exercised. The weighted average trading price on date of exercise for the stock options exercised during the period ended March 31, 2020 was C\$0.20.

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

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

For the Nine Months Ended March 31, 2021

15. Share-Based Payments (continued)

On March 31, 2021, the Company had outstanding, and exercisable stock options as follows:

Grant Date	Expiry Date	Fair Value Per Option C\$	Exercise Price C\$	Outstanding Options			Exercisable Options		
				Number	Weighted Average Remaining Life	Weighted Average Exercise Price C\$	Number	Weighted Average Remaining Life	Weighted Average Exercise Price C\$
27-Jun-16	27-Jun-21	0.65	0.77	392,500	0.2 years	0.77	392,500	0.2 years	0.77
30-Jun-17	20-Jun-22	0.24	0.40	420,000	1.2 years	0.40	315,000	1.2 years	0.40
25-Jul-18	24-Jul-23	0.20	0.31	668,250	2.3 years	0.31	501,188	2.3 years	0.31
26-Jun-20	26-Jun-25	0.11	0.16	40,000	4.2 years	0.16	10,000	4.2 years	0.16
2-Jul-20	2-Jul-25	0.10	0.15	2,000,000	4.3 years	0.15	500,000	4.3 years	0.15
15-Jul-20	15-Jul-25	0.13	0.21	600,000	4.3 years	0.21	150,000	4.3 years	0.21
30-Oct-20	30-Oct-25	0.10	0.15	920,000	4.6 years	0.15	230,000	4.6 years	0.15
				5,040,750	3.5 years	0.25	2,098,688	2.6 years	0.35

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

	2021	2020
Annualized expected stock price volatility	104.8%	95.3%
Risk-free interest rate	0.3%	2.1%
Expected option lives	3.3 years	3.4 years
Weighted average exercise price	C\$0.35	C\$0.61
Expected forfeiture rate	14.1%	5.8%
Weighted average fair value of awards	C\$0.10	C\$0.20
Grant price	C\$0.16	C\$0.31
Market price	C\$0.16	C\$0.31
Dividend yield	0.0%	0.0%

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

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

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

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For the Nine Months Ended March 31, 2021

16. Warrants

	Financing Warrants		Broker Warrants	
	Warrants Outstanding	Weighted Average Exercise Price C\$	Warrants Outstanding	Weighted Average Exercise Price C\$
June 30, 2019	37,553,555	0.42	1,993,253	0.37
Exercised	(463,648)	0.39	-	-
Cancelled	(230,000)	0.37	-	-
Expired	(1,914,259)	0.45	-	-
June 30, 2020	34,945,648	0.42	1,993,253	0.37
Issued	9,172,413	0.15		
March 31, 2021	44,118,061	0.36	1,993,253	0.37

On March 31, 2021, warrants were outstanding enabling holders to acquire common shares or units as follows:

Number of Financing Warrants	Number of Broker Warrants	Exercise Price C\$	Issue Date	Expiry Date
9,172,413	-	0.15	November 25, 2020	November 25, 2022
2,249,805	-	0.280	April 29, 2019	April 22, 2022
3,653,846	-	0.195	May 20, 2019	May 21, 2021
19,890,297	-	0.500	May 24, 2016	May 24, 2021
-	907,000	0.375	May 24, 2016	May 24, 2021
9,151,700	1,086,253	0.370	June 6, 2018	June 6, 2023
44,118,061	1,993,253			

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

17. Related Parties Transactions

Key management personnel compensation was:

	Three months ended March 31,		Nine months ended March 31,	
	2021	2020	2021	2020
Three months ended September 30,				
	\$	\$	\$	\$
Short-term employee benefits and consulting fees	270	253	807	823
Share-based compensation and services	51	33	202	101
	321	286	1,009	924

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Nine Months Ended March 31, 2021

17. Related Parties Transactions (continued)

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

As of March 31, 2021, \$102 (June 30, 2020 - \$184) is owing to directors and officers for services and \$1 (June 30, 2020 - \$ Nil) is owing to officers for expenses paid on the Company's behalf.

As of March 31, 2021, \$ Nil (June 30, 2020 - \$110) is owing to a former director and former officer and individuals related to him for notes payable principal and interest (note 11). During the three months ended March 31, 2021, the Company incurred interest expense of \$ Nil (2020 - \$5) and during the nine months ended March 31, 2021, the Company incurred interest expense of \$4 (2020 - \$16) 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 4.7 years, with a certain lease having a renewal option at 95% of fair market value. While the company has signed a lease agreement for a 5-year extension and the rental payments are included below, the increase in the rental payments is included in lease obligations according to IFRS 16 as the cash flows changed until February 2021. The future minimum rental payments under non-cancellable operating leases on March 31, 2021 are:

Period ending June 30	\$
2021	247
2022	924
2023	843
2024	869
2025	895
2026	531
	<u>4,309</u>

The Company is contractually committed to purchase, on March 31, 2021 prices, an aggregate of \$1,540 (June 30, 2020 - \$1,799) in raw materials. The estimated commitment in the fiscal period is as follows:

Period ending June 30	\$
2021	770
2022	770
	<u>1,540</u>

19. Segment Reporting

As of March 31, 2021, the Company had three reportable segments: Copper Alloys, Engineered Materials and Corporate. As of March 31, 2021, 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.

The accounting policies of the segments are the same as described in note 23 of the June 30, 2020 audited consolidated financial statements. IBC's management evaluates performance based on profit or loss from operations before other items ("operating income (loss)").

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

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

For the Nine Months Ended March 31, 2021

19. Segment Reporting (continued)

Three months ended March 31, 2021	Copper Alloys	Engineered Materials	Corporate	Total
	\$	\$	\$	\$
Revenue from external customers	3,261	2,151	-	5,412
Depreciation	(85)	221	-	136
Share-based compensation and shared-based services	5	3	49	57
Operating income (loss)	231	605	(359)	477
Foreign exchange gain (loss)	-	-	-	-
Interest & accretion expense	(25)	(121)	(207)	(353)
Loss on disposal of assets	-	-	-	-
Interest income	-	-	-	-
Other income	-	5	10	15
Income (loss) before income taxes	206	489	(556)	139
Income tax (expense) recovery	-	-	-	-
Capital expenditures	227	52	-	279

Three months ended March 31, 2020	Copper Alloys	Engineered Materials	Corporate	Total
	\$	\$	\$	\$
Revenue from external customers	3,945	1,873	-	5,818
Depreciation	149	221	-	370
Share-based compensation and shared-based services	4	3	26	33
Operating income (loss)	173	273	(312)	134
Foreign exchange gain (loss)	-	-	288	288
Interest expense	(71)	(12)	(168)	(251)
Loss on disposal of assets	(5)	-	-	(5)
Interest income	-	-	-	-
Other income	-	5	-	5
Income (loss) before income taxes	97	266	(192)	171
Income tax expense	-	-	-	-
Capital expenditures	14	-	-	14

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

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

For the Nine Months Ended March 31, 2021

19. Segment Reporting (continued)

Nine months ended March 31, 2021	Copper Alloys	Engineered Materials	Corporate	Total
	\$	\$	\$	\$
Revenue from external customers	9,324	5,443	-	14,767
Depreciation	179	610	-	789
Share-based compensation and shared-based services	18	11	195	224
Operating income (loss)	(100)	750	(891)	(241)
Foreign exchange gain (loss)	-	-	24	24
Interest & accretion expense	(207)	(186)	(531)	(924)
Loss on disposal of assets	3	-	-	3
Interest income	-	-	-	-
Other income	8	15	16	39
Income (loss) before income taxes	(296)	579	(1,382)	(1,099)
Income tax (expense) recovery	(3)	-	(17)	(20)
Capital expenditures	271	90	-	361

Nine months ended March 31, 2020	Copper Alloys	Engineered Materials	Corporate	Total
	\$	\$	\$	\$
Revenue from external customers	11,309	4,784	-	16,093
Depreciation	449	687	-	1,136
Share-based compensation and shared-based services	13	9	85	107
Operating income (loss)	49	85	(772)	(638)
Foreign exchange gain (loss)	-	-	288	288
Interest expense	(249)	(42)	(514)	(805)
Loss on disposal of assets	(5)	-	-	(5)
Interest income	-	-	-	-
Other income	1	16	-	17
Income (loss) before income taxes	(204)	59	(998)	(1,143)
Income tax expense	(2)	(2)	(1)	(6)
Capital expenditures	57	14	-	71

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

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

For the Nine Months Ended March 31, 2021

19. Segment Reporting (continued)

Total assets employed by each division are:

	March 31 2021	June 30 2020
	\$	\$
Copper Alloys	10,438	10,305
Engineered Materials	12,265	8,921
Corporate	261	56
	22,964	19,282

Total liabilities recognized by each division are:

	March 31 2021	June 30 2020
	\$	\$
Copper Alloys	6,248	6,415
Engineered Materials	7,698	4,215
Corporate	4,107	2,874
	18,053	13,504

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

	Three months ended		Nine months ended	
	March 31		March 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
United States	3,508	3,998	11,072	11,920
All others	1,904	1,820	3,695	4,172
	5,412	5,818	14,767	16,092

Material revenues by countries outside of the United States are comprised of the following:

	Three months ended		Nine months ended	
For the three months ended	March 31		March 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
Switzerland	-	222	-	849
Germany	207	212	356	486
Singapore	1,007	659	1,997	1,022
The Netherlands	234	-	529	33
Japan	-	245	-	600
Malaysia	297	111	396	405
Canada	105	311	277	539
All others	54	60	140	238
	1,904	1,820	3,695	4,172

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

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

For the Nine Months Ended March 31, 2021

19. Segment Reporting (continued)

The following customers represented more than 10% of sales:

For the nine months ended	March 31, 2021		March 31, 2020	
	Amount	%	Amount	%
	\$		\$	
Customer A	3,042	20.6	2,699	16.7
Customer B	2,219	15.0	-	-

All of the Company's property, plant and equipment are located in the United States.

Property, plant and equipment	March 31	June 30
	2021	2020
	\$	\$
United States	9,969	8,597

20. Financial Risk Management

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. From time to time, the Company may use foreign exchange contracts, commodity price contracts and interest rate swaps to manage exposure to fluctuations in foreign exchange, metal prices and interest rates. The Company does not have a practice of trading derivatives.

Fair Values

The Company 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 three months ended March 31, 2021.

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.

Below is the sensitivity analysis if holding all other variables constant, the following changes would have the following effects:

	Profit or loss		Profit or loss	
	March 31, 2021		June 30, 2020	
	Increase	(Decrease)	Increase	(Decrease)
	\$	\$	\$	\$
10% movement in cash flows	(430)	430	(326)	326
1% movement in Canadian \$ per US \$	(43)	43	(32)	32

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

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

For the Nine Months Ended March 31, 2021

20. Financial Risk Management (continued)*Foreign Exchange Risk (continued)*

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

Balances at March 31, 2021		C\$
Cash		10
Accounts payable and accrued liabilities		312
Debentures		5,106

Balances at June 30, 2020		C\$
Cash		(41)
Accounts payable and accrued liabilities		270
Debentures		4,133

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.

Below is the sensitivity analysis if holding all other variables constant, the following changes would have the following effects:

	Profit or loss		Profit or loss	
	March 31, 2021		June 30, 2020	
	Increase	(Decrease)	Increase	(Decrease)
	\$	\$	\$	\$
10% movement in cash flows	(17)	17	(18)	18
1% movement in interest rate index	(32)	32	(34)	34

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Nine Months Ended March 31, 2021

20. Financial Risk Management (continued)

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.

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

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

For the Nine Months Ended March 31, 2021

20. Financial Risk Management (continued)*Liquidity Risk*

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. If necessary, it may raise funds through the issuance of debt, equity, or monetization of non-core assets. To ensure that there is sufficient capital to meet obligations, the Company continuously monitors and reviews actual and forecasted cash flows and matches the maturity profile of financial assets to development, capital and operating needs.

March 31, 2021	Less than three months \$	Three to 12 months \$	One to five years \$	Total \$
Accrued payables and accrued liabilities	2,728	238	-	2,966
Line of credit	3,163	-	-	3,163
Notes payable, related parties	-	-	-	-
Leases payable (undiscounted)	260	703	3,346	4,309
Loan payable	812	-	150	962
Note payable	-	5	-	5
Arbitration award liability	-	-	1,470	1,470
Convertible debentures (in C\$)	68	997	2,944	4,009
Debentures (in C\$)	-	13	130	143
	7,031	1,956	8,040	17,027
June 30, 2020	Less than three months \$	Three to 12 months \$	One to five years \$	Total \$
Accrued payables and accrued liabilities	2,689	283	-	2,972
Line of credit	3,351	-	-	3,351
Notes payable, related parties	110	-	-	110
Leases payable (undiscounted)	147	453	2,127	2,727
Loan payable	869	-	150	1,019
Note payable	-	11	-	11
Arbitration award liability	-	-	1,395	1,395
Convertible debentures (in C\$)	102	485	2,312	2,899
Debentures (in C\$)	-	13	121	134
	7,268	1,245	6,105	14,618

IBC ADVANCED ALLOYS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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

For the Nine Months Ended March 31, 2021

20. Financial Risk Management (continued)

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. Subsequently, on January 22, 2020 United States Court of appeals for the First Circuit affirmed the judgment of the United States District Court for the District of Massachusetts in the case of Gerald R. Hoolahan v. IBC Advanced Alloys Corp., which found in favor of the petitioner, Mr. Hoolahan. The Company is evaluating its payment options with respect to the award granted to Mr. Hoolahan.

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 name the Company’s subsidiary Company, Nonferrous Products as a defendant, then IBC potentially faces significantly more liability requiring further defensive action.

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.

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

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For the Nine Months Ended March 31, 2021

21. Loss per Share

	Three months ended		Nine months ended	
	March 31		March 31	
Year ended June 30	2021	2020	2021	2020
Income (loss) for the period (\$000)	139	171	(1,119)	(1,149)
Weighted average number of common shares outstanding	64,098,288	61,160,407	63,152,431	47,931,539
Loss per share, basic and diluted				
Loss per share, basic (\$ per share)	0.00	0.00	(0.02)	(0.02)
Numerator				
Income (loss) for the period (\$000)	139	171	(1,119)	(1,149)
Net Earnings available to common shareholders, diluted	139	171	(1,119)	(1,149)
Denominator				
Weighted average number of commons shares outstanding	64,098,288	61,160,407	63,152,431	47,931,539
Effect of contingently issued shares upon warrants conversion ¹	12,826,259	3,653,846	9,172,413	-
Effect of contingently issued shares upon options exercise ²	543,662	564,914	617,222	657,416
Weighted average number of common shares outstanding, diluted	77,468,209	65,379,167	72,942,066	48,588,955
Diluted Income (loss) pers share (\$ per share)	0.00	0.00	anti-dilutive	anti-dilutive

1 - if converted method

2 - treasury stock method

Diluted income (loss) per share for the three months ended March 31, 2021 and 2020 is the same as basic income (loss) per share as only 543,662 share options (March 31, 2020 – 564,914) and 12,826,259 warrants (March 31, 2020 – 3,653,846) were in the money. Diluted loss per share for the nine months ended March 31, 2021 and 2020 is the same as basic loss per share as the exercise of 617,222 share options (March 31, 2020 – 657, 416) and 9,172,413 warrants (March 31, 2020 – Nil) would be anti-dilutive.